

FEDERAL BUREAU OF INVESTIGATION  
FOI/PA  
DELETED PAGE INFORMATION SHEET  
FOI/PA# 1362084-0

Total Deleted Page(s) = 147

Page 22 ~ b6; b7C; b7D;  
Page 23 ~ b6; b7C; b7D;  
Page 24 ~ b6; b7C; b7D;  
Page 25 ~ b6; b7C; b7D;  
Page 26 ~ b6; b7C; b7D;  
Page 27 ~ b7D;  
Page 28 ~ b3; b6; b7C;  
Page 31 ~ b3;  
Page 49 ~ b6; b7C; b7D;  
Page 56 ~ Duplicate;  
Page 80 ~ b6; b7C; b7D;  
Page 81 ~ b6; b7C; b7D;  
Page 82 ~ b6; b7C; b7D;  
Page 83 ~ b6; b7C; b7D;  
Page 84 ~ b6; b7C; b7D;  
Page 85 ~ b6; b7C; b7D;  
Page 86 ~ b6; b7C; b7D;  
Page 87 ~ b6; b7C; b7D;  
Page 88 ~ b6; b7C; b7D;  
Page 89 ~ b6; b7C; b7D;  
Page 90 ~ b6; b7C; b7D;  
Page 91 ~ b6; b7C; b7D;  
Page 94 ~ b6; b7C; b7D;  
Page 95 ~ b6; b7C; b7D;  
Page 96 ~ b6; b7C; b7D;  
Page 97 ~ b6; b7C; b7D;  
Page 98 ~ b6; b7C; b7D;  
Page 99 ~ b6; b7C; b7D;  
Page 100 ~ b6; b7C; b7D;  
Page 101 ~ b6; b7C; b7D;  
Page 102 ~ b6; b7C; b7D;  
Page 103 ~ b6; b7C; b7D;  
Page 104 ~ b6; b7C; b7D;  
Page 105 ~ b6; b7C; b7D;  
Page 106 ~ b6; b7C; b7D;  
Page 107 ~ b6; b7C; b7D;  
Page 108 ~ b6; b7C; b7D;  
Page 109 ~ b6; b7C; b7D;  
Page 110 ~ b6; b7C; b7D;  
Page 111 ~ b6; b7C; b7D;  
Page 112 ~ b6; b7C; b7D;  
Page 113 ~ b6; b7C; b7D;  
Page 114 ~ b6; b7C; b7D;  
Page 115 ~ b6; b7C; b7D;  
Page 116 ~ b6; b7C; b7D;  
Page 117 ~ b6; b7C; b7D;  
Page 143 ~ b3; b6; b7C; b7D;  
Page 144 ~ b3; b6; b7C; b7D;

Page 145 ~ b3; b6; b7C; b7D;  
Page 146 ~ b3; b6; b7C; b7D;  
Page 147 ~ b3; b6; b7C; b7D;  
Page 148 ~ b3; b6; b7C; b7D;  
Page 149 ~ b3; b6; b7C; b7D;  
Page 150 ~ b3; b6; b7C; b7D;  
Page 151 ~ b3; b6; b7C; b7D;  
Page 152 ~ b3; b6; b7C; b7D;  
Page 153 ~ b3; b6; b7C; b7D;  
Page 154 ~ b3; b6; b7C; b7D;  
Page 155 ~ b3; b6; b7C; b7D;  
Page 156 ~ b3; b6; b7C; b7D;  
Page 157 ~ b3; b6; b7C; b7D;  
Page 162 ~ b6; b7C; b7D;  
Page 163 ~ b6; b7C; b7D;  
Page 164 ~ b6; b7C; b7D;  
Page 165 ~ b6; b7C; b7D;  
Page 166 ~ b6; b7C; b7D;  
Page 167 ~ b6; b7C; b7D;  
Page 168 ~ b6; b7C; b7D;  
Page 169 ~ b6; b7C; b7D;  
Page 172 ~ b6; b7C;  
Page 173 ~ b6; b7C;  
Page 224 ~ b3; b6; b7C;  
Page 225 ~ b3; b6; b7C;  
Page 274 ~ b6; b7C;  
Page 275 ~ b6; b7C;  
Page 298 ~ b3; b6; b7C;  
Page 299 ~ b3; b6; b7C;  
Page 300 ~ b3; b6; b7C;  
Page 301 ~ b3; b6; b7C;  
Page 302 ~ b3; b6; b7C;  
Page 304 ~ Duplicate;  
Page 305 ~ b3; b6; b7C;  
Page 306 ~ b3; b6; b7C;  
Page 307 ~ b3; b6; b7C;  
Page 308 ~ b3; b6; b7C;  
Page 309 ~ b3; b6; b7C;  
Page 310 ~ b3; b6; b7C;  
Page 311 ~ b3; b6; b7C;  
Page 312 ~ b3; b6; b7C;  
Page 313 ~ b3; b6; b7C;  
Page 314 ~ b3; b6; b7C;  
Page 315 ~ b3; b6; b7C;  
Page 316 ~ b3; b6; b7C;  
Page 317 ~ b3; b6; b7C;  
Page 318 ~ b3; b6; b7C;  
Page 319 ~ b3; b6; b7C;  
Page 321 ~ Duplicate;  
Page 322 ~ b3; b6; b7C;  
Page 323 ~ b3; b6; b7C;  
Page 324 ~ b3; b6; b7C;  
Page 325 ~ b3; b6; b7C;  
Page 326 ~ b3; b6; b7C;

Page 327 ~ b3; b6; b7C;  
Page 328 ~ b3; b6; b7C;  
Page 329 ~ b3; b6; b7C;  
Page 330 ~ b3; b6; b7C;  
Page 331 ~ b3; b6; b7C;  
Page 332 ~ b3; b6; b7C;  
Page 333 ~ b3; b6; b7C;  
Page 334 ~ b3; b6; b7C;  
Page 336 ~ Duplicate;  
Page 337 ~ b3; b6; b7C;  
Page 338 ~ b3; b6; b7C;  
Page 339 ~ b3; b6; b7C;  
Page 340 ~ b3; b6; b7C;  
Page 341 ~ b3; b6; b7C;  
Page 342 ~ b3; b6; b7C;  
Page 343 ~ b3; b6; b7C;  
Page 344 ~ b3; b6; b7C;  
Page 345 ~ b3; b6; b7C;  
Page 347 ~ Duplicate;  
Page 348 ~ b3; b6; b7C;  
Page 349 ~ b3; b6; b7C;  
Page 350 ~ b3; b6; b7C;  
Page 351 ~ b3; b6; b7C;  
Page 352 ~ b3; b6; b7C;  
Page 353 ~ b3; b6; b7C;  
Page 354 ~ b3; b6; b7C;  
Page 355 ~ b3; b6; b7C;  
Page 356 ~ b3; b6; b7C;  
Page 357 ~ b3; b6; b7C;  
Page 358 ~ b3; b6; b7C;  
Page 359 ~ b3; b6; b7C;  
Page 360 ~ b3; b6; b7C;  
Page 361 ~ b3; b6; b7C;  
Page 362 ~ b3; b6; b7C;  
Page 383 ~ b6; b7C; b7D;  
Page 384 ~ b6; b7C; b7D;  
Page 385 ~ b6; b7C; b7D;  
Page 386 ~ b6; b7C; b7D;  
Page 387 ~ b6; b7C; b7D;  
Page 388 ~ b6; b7C; b7D;  
Page 389 ~ b6; b7C; b7D;  
Page 390 ~ b6; b7C; b7D;  
Page 391 ~ b6; b7C; b7D;  
Page 392 ~ b6; b7C; b7D;  
Page 393 ~ b6; b7C; b7D;

XXXXXXXXXXXXXXXXXXXXXXXXXXXXX  
X Deleted Page(s) X  
X No Duplication Fee X  
X For this Page X  
XXXXXXXXXXXXXXXXXXXXXXXXXXXXX

FEDERAL BUREAU OF INVESTIGATION  
FOI/PA  
DELETED PAGE INFORMATION SHEET  
FOI/PA# 1259813-1

Total Deleted Page(s) = 147

Page 22 ~ b6; b7C; b7D;  
Page 23 ~ b6; b7C; b7D;  
Page 24 ~ b6; b7C; b7D;  
Page 25 ~ b6; b7C; b7D;  
Page 26 ~ b6; b7C; b7D;  
Page 27 ~ b7D;  
Page 28 ~ b3; b6; b7C;  
Page 31 ~ b3;  
Page 49 ~ b6; b7C; b7D;  
Page 56 ~ Duplicate;  
Page 80 ~ b6; b7C; b7D;  
Page 81 ~ b6; b7C; b7D;  
Page 82 ~ b6; b7C; b7D;  
Page 83 ~ b6; b7C; b7D;  
Page 84 ~ b6; b7C; b7D;  
Page 85 ~ b6; b7C; b7D;  
Page 86 ~ b6; b7C; b7D;  
Page 87 ~ b6; b7C; b7D;  
Page 88 ~ b6; b7C; b7D;  
Page 89 ~ b6; b7C; b7D;  
Page 90 ~ b6; b7C; b7D;  
Page 91 ~ b6; b7C; b7D;  
Page 94 ~ b6; b7C; b7D;  
Page 95 ~ b6; b7C; b7D;  
Page 96 ~ b6; b7C; b7D;  
Page 97 ~ b6; b7C; b7D;  
Page 98 ~ b6; b7C; b7D;  
Page 99 ~ b6; b7C; b7D;  
Page 100 ~ b6; b7C; b7D;  
Page 101 ~ b6; b7C; b7D;  
Page 102 ~ b6; b7C; b7D;  
Page 103 ~ b6; b7C; b7D;  
Page 104 ~ b6; b7C; b7D;  
Page 105 ~ b6; b7C; b7D;  
Page 106 ~ b6; b7C; b7D;  
Page 107 ~ b6; b7C; b7D;  
Page 108 ~ b6; b7C; b7D;  
Page 109 ~ b6; b7C; b7D;  
Page 110 ~ b6; b7C; b7D;  
Page 111 ~ b6; b7C; b7D;  
Page 112 ~ b6; b7C; b7D;  
Page 113 ~ b6; b7C; b7D;  
Page 114 ~ b6; b7C; b7D;  
Page 115 ~ b6; b7C; b7D;  
Page 116 ~ b6; b7C; b7D;  
Page 117 ~ b6; b7C; b7D;  
Page 143 ~ b3; b6; b7C; b7D;  
Page 144 ~ b3; b6; b7C; b7D;



Page 145 ~ b3; b6; b7C; b7D;  
Page 146 ~ b3; b6; b7C; b7D;  
Page 147 ~ b3; b6; b7C; b7D;  
Page 148 ~ b3; b6; b7C; b7D;  
Page 149 ~ b3; b6; b7C; b7D;  
Page 150 ~ b3; b6; b7C; b7D;  
Page 151 ~ b3; b6; b7C; b7D;  
Page 152 ~ b3; b6; b7C; b7D;  
Page 153 ~ b3; b6; b7C; b7D;  
Page 154 ~ b3; b6; b7C; b7D;  
Page 155 ~ b3; b6; b7C; b7D;  
Page 156 ~ b3; b6; b7C; b7D;  
Page 157 ~ b3; b6; b7C; b7D;  
Page 162 ~ b6; b7C; b7D;  
Page 163 ~ b6; b7C; b7D;  
Page 164 ~ b6; b7C; b7D;  
Page 165 ~ b6; b7C; b7D;  
Page 166 ~ b6; b7C; b7D;  
Page 167 ~ b6; b7C; b7D;  
Page 168 ~ b6; b7C; b7D;  
Page 169 ~ b6; b7C; b7D;  
Page 172 ~ b6; b7C;  
Page 173 ~ b6; b7C;  
Page 224 ~ b3; b6; b7C;  
Page 225 ~ b3; b6; b7C;  
Page 274 ~ b6; b7C;  
Page 275 ~ b6; b7C;  
Page 298 ~ b3; b6; b7C;  
Page 299 ~ b3; b6; b7C;  
Page 300 ~ b3; b6; b7C;  
Page 301 ~ b3; b6; b7C;  
Page 302 ~ b3; b6; b7C;  
Page 304 ~ Duplicate;  
Page 305 ~ b3; b6; b7C;  
Page 306 ~ b3; b6; b7C;  
Page 307 ~ b3; b6; b7C;  
Page 308 ~ b3; b6; b7C;  
Page 309 ~ b3; b6; b7C;  
Page 310 ~ b3; b6; b7C;  
Page 311 ~ b3; b6; b7C;  
Page 312 ~ b3; b6; b7C;  
Page 313 ~ b3; b6; b7C;  
Page 314 ~ b3; b6; b7C;  
Page 315 ~ b3; b6; b7C;  
Page 316 ~ b3; b6; b7C;  
Page 317 ~ b3; b6; b7C;  
Page 318 ~ b3; b6; b7C;  
Page 319 ~ b3; b6; b7C;  
Page 321 ~ Duplicate;  
Page 322 ~ b3; b6; b7C;  
Page 323 ~ b3; b6; b7C;  
Page 324 ~ b3; b6; b7C;  
Page 325 ~ b3; b6; b7C;  
Page 326 ~ b3; b6; b7C;

Page 327 ~ b3; b6; b7C;  
Page 328 ~ b3; b6; b7C;  
Page 329 ~ b3; b6; b7C;  
Page 330 ~ b3; b6; b7C;  
Page 331 ~ b3; b6; b7C;  
Page 332 ~ b3; b6; b7C;  
Page 333 ~ b3; b6; b7C;  
Page 334 ~ b3; b6; b7C;  
Page 336 ~ Duplicate;  
Page 337 ~ b3; b6; b7C;  
Page 338 ~ b3; b6; b7C;  
Page 339 ~ b3; b6; b7C;  
Page 340 ~ b3; b6; b7C;  
Page 341 ~ b3; b6; b7C;  
Page 342 ~ b3; b6; b7C;  
Page 343 ~ b3; b6; b7C;  
Page 344 ~ b3; b6; b7C;  
Page 345 ~ b3; b6; b7C;  
Page 347 ~ Duplicate;  
Page 348 ~ b3; b6; b7C;  
Page 349 ~ b3; b6; b7C;  
Page 350 ~ b3; b6; b7C;  
Page 351 ~ b3; b6; b7C;  
Page 352 ~ b3; b6; b7C;  
Page 353 ~ b3; b6; b7C;  
Page 354 ~ b3; b6; b7C;  
Page 355 ~ b3; b6; b7C;  
Page 356 ~ b3; b6; b7C;  
Page 357 ~ b3; b6; b7C;  
Page 358 ~ b3; b6; b7C;  
Page 359 ~ b3; b6; b7C;  
Page 360 ~ b3; b6; b7C;  
Page 361 ~ b3; b6; b7C;  
Page 362 ~ b3; b6; b7C;  
Page 383 ~ b6; b7C; b7D;  
Page 384 ~ b6; b7C; b7D;  
Page 385 ~ b6; b7C; b7D;  
Page 386 ~ b6; b7C; b7D;  
Page 387 ~ b6; b7C; b7D;  
Page 388 ~ b6; b7C; b7D;  
Page 389 ~ b6; b7C; b7D;  
Page 390 ~ b6; b7C; b7D;  
Page 391 ~ b6; b7C; b7D;  
Page 392 ~ b6; b7C; b7D;  
Page 393 ~ b6; b7C; b7D;

XXXXXXXXXXXXXXXXXXXXXXXXXXXXX  
X Deleted Page(s) X  
X No Duplication Fee X  
X For this Page X  
XXXXXXXXXXXXXXXXXXXXXXXXXXXXX

1

## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 2/5/90

[redacted] Phoenix, Arizona, home telephone [redacted]  
[redacted] work telephone [redacted] was advised as to the  
identity of the interviewing agent and the purpose of the  
interview at which time he advised as follows:

[redacted] advised his date of birth is [redacted]

[redacted] confirmed the fact that from [redacted]  
[redacted] he was employed by LINCOLN SAVINGS AND LOAN (LSL)  
at 2735 East Camelback, Phoenix, Arizona, 85016. [redacted]

b6  
b7Cb6  
b7Cb6  
b7CInvestigation on 1/31/90 at Phoenix, ArizonaFile # 58C-PX-41605-26by SA [redacted] cptDate dictated 2/2/90b6  
b7C

58C-PX-41605

Continuation of FD-302 of [REDACTED]

, On 1/31/90, Page 2\*

b6  
b7C

[REDACTED] advised he does vaguely recall a situation which was related to him where by [REDACTED] with LSL Loan Department by the name of [REDACTED] was apparently riding in a limousine with some senior LSL officials and ALAN CRANSTON. Apparently the reason they were together was to view the above properties in Los Altos and Palo Alto. [REDACTED] recalls the story that after completing the review of the properties CRANSTON was in a hurry to catch a flight and they eventually dropped [REDACTED] at a curb side at a location unknown.

As mentioned, [REDACTED] stated the above situation happened very quickly and appeared to be an issue one day and not very important the next day. He does not believe any actual loan materialized for CRANSTON. If so, he is not aware of the loan nor is he aware of the ultimate use of the appraisal.

In addition to the above, [REDACTED] does not recall at this time any other loans made by LSL to political officials.

58C-PX-41605-210

SEARCHED	INDEXED
SERIALIZED	FILED
FEB 15 1990	



b6  
b7C

58C-PX-41605-26X1

of

✓



for

b6  
b7c

## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 3/2/90

[redacted] date of birth [redacted]  
[redacted] was interviewed in the office of his attorney, [redacted]  
[redacted] who was also present. [redacted] said he resides at  
[redacted] Mesa, Arizona 85204, telephone  
number [redacted] provided the following  
information regarding his employment [redacted] for  
Senator DENNIS DE CONCINI.

b6  
b7C

[redacted] said that [redacted]  
[redacted]

[redacted] said that he never  
developed a personal relationship with Senator DE CONCINI and  
that his association was strictly business.

[redacted] said he never consulted with DE CONCINI on any  
personal business or any other business. His contacts with  
Senator DE CONCINI related to DE CONCINI's campaign. [redacted]  
said he was aware that Senator DE CONCINI had substantial land  
holdings in Arizona, and inherited some property in San Diego,  
California, from his deceased father. Other than this, [redacted]  
said he had no knowledge concerning the acquisition of any land  
holdings of DE CONCINI. [redacted] said the only knowledge he had  
concerning a development firm in Colorado called MDC or RA HOMES  
in Tucson was what he learned in the newspaper. [redacted] said,  
however, he was aware that [redacted]

[redacted] said these individuals assisted DE  
CONCINI in his campaign fund raising, and [redacted] recalled RA  
HOMES being reimbursed for expenses related to the campaign.

[redacted] said these expenses were for machine copying of documents  
and rent. [redacted]

b6  
b7C

[redacted] said he was unaware that RA HOMES had loans from  
LINCOLN SAVINGS AND LOAN ASSOCIATION until he read this in the  
newspaper. [redacted] reiterated the fact that he never discussed  
any loan arrangement with Senator DE CONCINI.

Investigation on 2/1/90 at Phoenix, ArizonaFile # PX 58C-41605-365-13 *-26x1*by SAs [redacted] (Los Angeles) and  
REB/khcDate dictated 2/1/90b6  
b7C

PX 58C-41605

Continuation of FD-302 of [REDACTED]

, On 2/1/90

, Page 2

b6  
b7C

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] said he is not aware of any charitable group with whom Senator DE CONCINI has affiliation.

b6  
b7C

[REDACTED] said he does not recall any particular fund raising activity involving AMERICAN CONTINENTAL CORPORATION or MDC. [REDACTED] said he recalls RA HOMES conducting some type of fund raising activity in Las Vegas, Nevada, for DE CONCINI but cannot recall the details.

[REDACTED] said that the BANK OF BEVERLY HILLS account was used for direct mail campaign contributions in California.

[REDACTED] said that the Arizona Democratic Party Federal Account, Arizona, Inc., was an account that helped candidates in Arizona and "DE CONCINI '88 Campaign" contributed to this organization. [REDACTED] said that the Southwestern Voter



PX 58C-41605

Continuation of FD-302 of [REDACTED], On 2/1/90, Page 3

b6  
b7C

Registration was a "get out the vote" organization but he is not familiar with its activities.

[REDACTED]

[REDACTED] said that he never discussed with [REDACTED] or DE CONCINI direct investment regulations concerning the savings and loan industry.

[REDACTED] said he does not know [REDACTED] however, he does know that her husband, [REDACTED] is a contributor to DE CONCINI and is president of PIMA SAVINGS. [REDACTED] said he was unaware of the memorandum that she produced and only saw this memorandum when it appeared in the newspaper. [REDACTED] said he never discussed this memorandum with anyone on the DE CONCINI staff present or former, and never with Senator DE CONCINI.

2 - Addressee  
2 - Los Angeles (58C-PX-41605)  
2 - Phoenix (58C-PX-41605)

JAJ:kah  
(6) ✓

58C-PX-41605-27

SEARCHED	INDEXED
SERIALIZED <i>RM</i>	FILED <i>RM</i>
JUN 15 1963	
LOS ANGELES	
<i>Jaf</i>	

b6  
b7C



U.S. Department of Justice

Federal Bureau of Investigation

In Reply, Please Refer to  
File No.

11000 Wilshire Boulevard  
Los Angeles, California 90024

February 7, 1990

Mr. Charles D. Fowler  
Assistant Inspector General for Investigations  
U.S. Department of the Treasury  
1201 Constitution N.W.  
Washington, D.C. 20535

RE: [REDACTED]

b6  
b7C

Dear Mr. Fowler:

This letter confirms a telephone conversation on  
February 7, 1990, between [REDACTED] of your office and SA  
[REDACTED] of our office.

We understand that [REDACTED] is in possession of the  
file for an investigation conducted by the Inspector General of  
the Federal Home Loan Bank Board (FHLBB), the subject of which  
was [REDACTED]. For criminal  
investigative purposes, the Federal Bureau of Investigation (FBI)  
respectfully requests that you make this file available to FBI  
agents for review and copying.

b6  
b7C

[REDACTED] has agreed to provide this week, the file  
for review and copying to SA [REDACTED] of the FBI's Phoenix  
Division.

Thank you for your courtesy.

Sincerely yours,

LAWRENCE G. LAWLER  
Special Agent in Charge



Senior Supervisory Resident Agent

2 - Addressee

② - Los Angeles (58C-PX-41605)

2 - Phoenix (58C-PX-41605)

JAJ:kah

(6) ↓

58C-PX-41605-27

SEARCHED	INDEXED
SERIALIZED <i>RM</i>	FILED <i>RM</i>
JUN 15 1960	
FBI — LOS ANGELES	
<i>Doc</i>	

58-PA-41625-27X1  
C/ 9/9



for

b6  
b7c

1

## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 3/1/90

[redacted] date of birth [redacted] was interviewed at his employment, [redacted] Washington, D.C. 20036, telephone number [redacted] was served a subpoena from the Central District of California as [redacted]. After receipt of the subpoena, [redacted] provided the following information regarding [redacted].

b6  
b7C

[redacted] said that he was [redacted] however Senator JOHN GLENN is now represented by CHARLES RUFF and DWIGHT SMITH of the law firm of COVINGTON AND BURLEY located at 1201 Pennsylvania Avenue, Washington, D.C., telephone number (202) 662-5378. [redacted]

[redacted] said that when CHARLES KEATING contributed two \$100,000.00 checks to Senator GLENN, [redacted] was then the [redacted]

b6  
b7C

Investigation on 2/9/90 at Washington, D.C. File # PX 58C-41605 -27K1

SAs [redacted] REB/khc Date dictated 2/9/90

b6  
b7C

This document contains neither recommendations nor conclusions of the FBI. It is the property of the FBI and is loaned to your agency; it and its contents are not to be distributed outside your agency.

Page 2

b6  
b7C

said that \_\_\_\_\_ were

b6  
b7C

said that

[redacted] said it was common knowledge at this time that GLENN was having difficulty in paying bills incurred from his presidential campaign activities [redacted]

b6  
b7C

PX 58C-41605

Continuation of FD-302 of [REDACTED], On 2/9/90, Page 3

b6  
b7C

attorney who was familiar with the election laws. [REDACTED] said as a result [REDACTED] was contacted and he issued an opinion concerning the KEATING donation. This opinion would be part of the file that was maintained [REDACTED]

[REDACTED] said that he believes Senator GLENN first met CHARLIE KEATING at his residence in 1982 (CHARLES KEATING's residence) during a fund raising party for Senator DENNIS DE CONCINI. [REDACTED] said that all this information would have been disclosed in the DUKAKIS Questionnaire which GLENN filled out as a potential vice president candidate in the DUKAKIS election.

[REDACTED] said that he first met KEATING [REDACTED]

b6  
b7Cb6  
b7C

[REDACTED] said that when meetings were scheduled for the Senator a "scheduler" is called and arranges a time in the Senator's day for the meeting. An administrative assistant or legislative staff member such as [REDACTED]

[REDACTED] would arrange a meeting. [REDACTED] said that there would just not be a meeting scheduled without appropriate staff members and scheduling being involved.



PX 58C-41605

Continuation of FD-302 of , On 2/9/90, Page 4 b6  
b7C

said that a complete list of lobbyists can be obtained from the Records and Registration Office located in the Longworth House Building on the First Floor in Room 1036.

invited the Federal Bureau of Investigation to return for interview should any additional questions arise.

1

## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 1/16/90

[redacted] accompanied by his Attorney. [redacted]  
 [redacted] Irvine, California, telephone [redacted] appeared at  
 the office of the FEDERAL BUREAU OF INVESTIGATION (FBI), Santa  
 Ana, California. Assistant United States Attorney (AUSA) [redacted]  
 [redacted] California, and [redacted] agreed that this  
 interview of [redacted] would be according to the same terms as a  
 proffer agreement between [redacted] and the United States Attorney  
 for the Central District of California, made on [redacted]  
 [redacted] then provided the following information:

b6  
b7C  
b7D

[redacted]

[redacted]

b6  
b7C  
b7D

[redacted]

Investigation on 1/9/90 at Santa Ana, California File # 58C-PX-41605-28  
56C-LA-101615

SAs [redacted]  
 by [redacted] JAJ/lm Date dictated 1/10/90

b6  
b7C

FBI

## TRANSMIT VIA:

☐ Teletype  
☐ Facsimile  
☒ AIRTEL

## PRECEDENCE:

☐ Immediate  
☐ Priority  
☐ Routine

## CLASSIFICATION:

☐ TOP SECRET  
☐ SECRET  
☐ CONFIDENTIAL  
☐ UNCLAS E F T O  
☐ UNCLAS

Date 2/15/90

TO : SAC, LOS ANGELES  
 FROM : SAC, MILWAUKEE (56C-PX-41605) (RUC)  
 SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS  
 ALAN CRANSTON, DENNIS D. DECONCINI,  
 JOHN GLENN, JOHN MC CAIN, DONALD REIGLE,  
 CHARLES H. KEATING, JR., dba  
 ET AL;  
 CORRUPTION OF FEDERAL PUBLIC  
 OFFICIALS - LEGISLATIVE BRANCH  
 OO: PHOENIX / LOS ANGELES

Re Phoenix FD-448 to Milwaukee, dated 2/12/90.

Enclosed for Los Angeles are the following:

1. Original FGJ subpoena served on [redacted]
2. Letter from [redacted]

Enclosed for Phoenix are the following:

1. Copy of FGJ subpoena served on [redacted]
2. Copy of letter from [redacted]

Inasmuch as no further investigation remains at Milwaukee Division, this matter is considered RUC.

2 - Los Angeles (56C-PX-41605) (Enc. 2)  
 2 - Phoenix (56C-PX-41605) (Enc. 2)  
 1 - Milwaukee (56C-PX-41605)  
 KG/dg  
 (5)

58C -  
 56C-PX-41605-30

SEARCHED	INDEXED
SERIALIZED	FILED
FEB 23 1990	

Approved: \_\_\_\_\_

Transmitted \_\_\_\_\_

(Number) (Time)

Per \_\_\_\_\_

b3  
 b6  
 b7C

b6  
 b7C

AD 110 (Rev. 10/82)

## SUBPOENA TO TESTIFY BEFORE GRAND JURY

ORIGINAL

<b>United States District Court</b>		<b>DISTRICT CENTRAL DISTRICT OF CALIFORNIA</b>	
TO: <span style="border: 1px solid black; display: inline-block; width: 150px; height: 30px;"></span>		SUBPOENA FOR  <input type="checkbox"/> Person <input checked="" type="checkbox"/> Document or Object	
<p><b>YOU ARE HEREBY COMMANDED</b> to appear in the United States District Court at the location, date, and time specified below to testify before the Grand Jury</p>			
<b>PLACE</b>  United States Courthouse 312 North Spring Street Los Angeles, California 90012		<b>COURTROOM</b>  1346B  <b>DATE AND TIME</b>  March 1, 1990 9:00 a.m.	
<p><b>YOU ARE ALSO COMMANDED</b> to bring with you the following document(s) or object(s):<sup>(1)</sup></p> <div style="border: 1px solid black; padding: 20px; text-align: center; margin: 10px 0;"> <p><u>SEE ATTACHMENT</u></p> </div> <p><input type="checkbox"/> Please see additional information on reverse</p>			
<p>This subpoena shall remain in effect until you are granted leave to depart by the court or by an officer acting on behalf of the court.</p>			
<b>CLERK</b> LEONARD A. BROSKAN (BY DEPUTY CLERK)		<b>DATE</b>  January 31, 1990	
This subpoena is issued on application of the United States of America by:  <b>ROBERT L. BROSKO</b> United States Attorney		PLEASE PRINT AND PRINT NUMBER OF ASSISTANT U.S. ATTORNEY <b>Stephen A. Mansfield</b> Assistant United States Attorney 1300 United States Courthouse 312 North Spring Street Los Angeles, California 90012 Telephone: (213) 894-3358	

1) If not applicable, enter "none."

 AGENT: S/A   
 2'd S/A

**NOTE:** AN AGENT OF THE FBI  
 WILL DELIVER THE ABOVE-MENTIONED DOCUMENT  
 TO THE GRAND JURY SHOULD YOU DESIRE  
 VOLUNTARILY TO SUBMIT THE DOCUMENT TO THE GRAND

b3  
b6  
b7Cb6  
b7C

RETURN OF SERVICE<sup>(1)</sup>

RECEIVED BY SERVER	DATE 2/13/90	PLACE Milwaukee, Wisconsin
SERVED	DATE 2/14/90	PLACE Menomonee Falls, Wisconsin

SERVED ON (NAME)

SERVED BY

TITLE

Special Agent, FBI

## STATEMENT OF SERVICE FEES

TRAVEL	SERVICES	TOTAL

b6  
b7CDECLARATION OF SERVER<sup>(2)</sup>

I declare under penalty of perjury under the laws of the United States of America that the foregoing information contained in the Return of Service and Statement of Service Fees is true and correct.

Executed on

2/14/90

GWN

Milwaukee, Wis 5320

## ADDITIONAL INFORMATION

(1) This is the only form to be used for the Return of Service by a server under Rule 17(d), Federal Rules of Criminal Procedure, or Rule 65(c), Federal Rules of Criminal Procedure.

(2) This form and any fee must be returned to the court upon service of a subpoena issued on behalf of the United States or an officer or agent of the FBI, Federal Bureau of Investigation, Rule 17(d), Federal Rules of Criminal Procedure, or on behalf of certain law enforcement and other agencies who are authorized to act under Rule 17(d), Federal Rules of Criminal Procedure.

1

## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 2/15/90

[redacted]  
[redacted] Los Altos,  
California 94022, telephone [redacted] was advised as to the  
identity of the interviewing agents and the purpose of the  
interview at which time he advised as follows:

[redacted] advised his home address is [redacted]  
[redacted] Mountain View, California. His date of birth  
is [redacted] and he was born in [redacted]  
His social security account number is [redacted]

[redacted] advised [redacted]  
[redacted]

[redacted] recalls being contacted by one [redacted]  
from LINCOLN SAVINGS & LOAN, on or about [redacted] He  
specifically recalls [redacted]  
[redacted]

[redacted] believes [redacted] was referred to him by either  
BEVERLY HILLS SAVINGS & LOAN and/or SOUTHWEST SAVINGS & LOAN. At  
that time [redacted]  
[redacted]

[redacted] recalls [redacted] advised him something to the  
effect that CRANSTON [redacted]  
[redacted]

[redacted] recalls this particular request was rather  
unique due to the fact he is not requested to [redacted]  
[redacted]  
United States Senator.  
[redacted]

Investigation on 2/5/90 at Los Altos, California File # 58C PX-41605-31

by SA [redacted] and SA [redacted] Date dictated 2/12/90  
SA [redacted] GKM:adv

56C LA-101615

Continuation of FD-302 of [REDACTED], On 2/15/90, Page 2

b6  
b7C

[REDACTED]

[REDACTED]

b6  
b7C

[REDACTED]

[REDACTED] stated he had no further contact with [REDACTED]  
[REDACTED]  
[REDACTED] has never met [REDACTED] nor has he met ALAN CRANSTON.

[REDACTED]

In addition to the above, [REDACTED] provided the following documentation:

1. A letter, dated [REDACTED]  
[REDACTED] of LINCOLN SAVINGS, [REDACTED]  
[REDACTED]
2. A letter, dated [REDACTED]  
[REDACTED]

56C LA-101615

Continuation of FD-302 of

[Redacted]

, On 2/15/90, Page 3\*

b6  
b7C

3.

4.

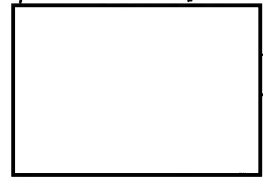
5.

[Redacted]



58C-PX-4160531

SEARCHED	INDEXED
SERIALIZED	FILED
MAR 2 1999	



ELES

b6  
b7C

/READ/REF.3  
0015 MRI 01071

MAR 5 1 50 PM '90

PP RUEHFB FBILA FBINY FBIWMFO

TELETYPE LOGN

DE FBIPX #0001 0642141

ZNR UUUUU

P 051830Z MAR 90

FM FBI PHOENIX (58C-PX-41605) (P)

TO DIRECTOR FBI/PRIORITY/

FBI LOS ANGELES/PRIORITY/

FBI NEW YORK/PRIORITY/

FBI WMFO/PRIORITY/

BT

UNCLAS

CITE: //3630//

PASS: FBIHQ, SSA [REDACTED] FINANCIAL CRIME UNIT - WHITE  
COLLAR CRIME SECTION.

SUBJECT: ALLEGATIONS CONCERNING US SENATORS ALAN CRANSTON,  
DENNIS D DECONCINI, JOHN GLENN, JOHN MC CAIN, DON RIEGLE, CHARLES  
H. KEATING, JR; DBA ET AL; CORRUPTION OF FEDERAL PUBLIC  
OFFICIALS - LEGISLATIVE; OO: PHOENIX-LOS ANGELES.

RE TELCAL OF SSA [REDACTED] TO SSA [REDACTED] WMFO,

b6  
b7c

**TELETYPE**

58C-PX-41605-32  
Saf Saf  
WCC  
LI  
[REDACTED]

PAGE TWO DE FBIPX 0001 UNCLAS

AND SA [REDACTED] RELIEF SUPERVISOR, NYO, MARCH 2, 1990.

b6  
b7C  
b7D

FOR THE INFORMATION OF THE BUREAU AND RECEIVING OFFICES,

PHOENIX CASE AGENT [REDACTED] AND LOS ANGELES AGENT [REDACTED]

[REDACTED] WILL TRAVEL FROM LOS ANGELES AND PHOENIX TO WASHINGTON,

D.C., ON MARCH 5, 1990, TO CONDUCT AN INTERVIEW WITH WITH [REDACTED]

FOR THE INFORMATION OF NEW YORK, [REDACTED] FORMER

FEDERAL HOME LOAN BANK BOARD MEMBER, IS PRESENTLY EMPLOYED BY THE

b6  
b7C  
b7D

[REDACTED]  
NEW YORK, NEW YORK. [REDACTED]

AS MENTIONED, WAS A FORMER BANK BOARD

MEMBER [REDACTED]  
[REDACTED]

PAGE THREE DE FBIPX 0001 UNCLAS

b6  
b7C  
b7D

[REDACTED]  
[REDACTED] INTERVIEW WILL OCCUR AT 10:00 AM,  
MARCH 7, 1990, IN NEW YORK.

[REDACTED] FORMER [REDACTED] NOW  
RESIDING AND WORKING IN NEW YORK CITY, WILL ALSO BE INTERVIEWED.

REVIEW OF CHARLES KEATING'S AGENDA DETERMINED THAT IN [REDACTED]

[REDACTED] KEATING HAD MEETINGS WITH [REDACTED] REGARDING  
[REDACTED]

INVESTIGATION HAS REVEALED KEATING [REDACTED]  
[REDACTED]

NO ASSISTANCE IS BEING REQUESTED OF WMFO OR NEW YORK. SAC'S  
CONCUR IN THE TRAVEL OF AGENTS FOR THE PURPOSE OF CONDUCTING  
AFOREMENTIONED INTERVIEWS.

BT

#0001

NNNN

1

## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 3/12/90

[redacted] POWELL, GOLDSTEIN, FRAZER and MURPHY,  
6th Floor, 1001 Pennsylvania Avenue, N.W., Washington, D.C.,  
(202) 347-0066, [redacted] telephoned the Santa  
Ana office of the FEDERAL BUREAU OF INVESTIGATION (FBI) and  
provided the following information:

b6  
b7C

[redacted] advised that on the day following the FBI  
interview of [redacted] on [redacted] told  
[redacted] that she neglected to mention during the interview a  
contribution made by AMERICAN CONTINENTAL CORPORATION (ACC).  
[redacted] stated that [redacted] told her that ACC contributed  
\$10,000 to the Committee for Democratic Consensus in January of  
1989. This contribution was made in connection with a Super Bowl  
party where the CDC had sold tickets for \$2,500 each. [redacted]  
said [redacted]  
[redacted] According to [redacted] records, the Super Bowl  
party was attended by [redacted]  
[redacted]

Investigation on 2/26/90 at Santa Ana, California File # 58C-PX-41605 ✓ - 33  
by SA [redacted] *fat* [redacted] Date dictated 3/5/90

b6  
b7C

58C- PX- 41605-33-

Sdf	Sdf

PBB

/READ/REF 16  
0028 MRI 00361

RR RUEHFB FBILA

DE FBIPX #0003 0810406

ZNR UUUUU

R 220248Z MAR 90

FM FBI PHOENIX (58C-PX-41605) (P)

TO DIRECTOR FBI/ROUTINE/

FBI LOS ANGELES/ROUTINE/

BT

UNCLAS

SECTION ONE OF TWO SECTIONS

CITE: //3630//

PASS: FOR FBIHQ, PUBLIC CORRUPTION UNIT, SSA

b6  
b7c

SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON, ET  
AL; CHARLES H. KEATING, JR., DBA LINCOLN SAVINGS AND LOAN  
ASSOCIATION, CALIFORNIA AND AMERICAN CONTINENTAL CORPORATION,  
PHOENIX, ARIZONA; CORRUPTION OF PUBLIC OFFICIALS - LEGISLATIVE;  
OO: PHOENIX/LOS ANGELES.

THE FOLLOWING IS A SUMMARY OF INVESTIGATION CONDUCTED DURING  
THE PERIOD 2/22/90 TO 3/15/90:

**TELETYPE**

MAR 21 8 12 PM '90

TELETYPE

58C-PX-41605-34

WCC

b6  
b7c

PAGE TWO DE FBIPX 0003 UNCLAS

ON 2/22/90 AND 2/23/90, [REDACTED]

[REDACTED] WERE INTERVIEWED IN WASHINGTON, D.C. [REDACTED]

[REDACTED] U.S.A. VOTES, SENATOR

ALAN CRANSTON'S PARTISAN FUND RAISING ORGANIZATION, THROUGH WHICH CRANSTON RAISED \$850,000 FROM KEATING IN 1987 AND 1988. [REDACTED]

ADVISED U.S.A. VOTES WAS ESTABLISHED BY CRANSTON TO RAISE FUNDS FOR "NON-PARTISAN", TAX-EXEMPT VOTER REGISTRATION GROUPS TARGETING SPECIFIC POPULATIONS (AS AN EXAMPLE, BLACK VOTERS) THAT CRANSTON EXPECTED WOULD VOTE DEMOCRATIC. [REDACTED] CLAIMED LITTLE OR NO KNOWLEDGE OF CRANSTON'S CONTACTS WITH KEATING. [REDACTED]

PROVIDED INFORMATION REGARDING KEATING'S CONTRIBUTIONS TO CRANSTON'S TAX EXEMPT ORGANIZATIONS, CAMPAIGNS, AND AFFILIATED POLITICAL ACTION COMMITTEES. [REDACTED] SAID IT WAS NOT UNUSUAL FOR CRANSTON TO ARRANGE MEETINGS WITH [REDACTED]

[REDACTED] OR CONTRIBUTORS SUCH AS KEATING.

ON 3/13/90, DOCUMENTS WERE RECEIVED FROM [REDACTED]

[REDACTED] IN WASHINGTON, D.C. PURSUANT TO FEDERAL GRAND JURY SUBPOENAS ISSUED BY THE CENTRAL DISTRICT OF CALIFORNIA, HOWEVER THESE DOCUMENTS HAVE NOT YET BEEN REVIEWED.

ON 3/6/90, [REDACTED] WAS INTERVIEWED IN THE PRESENCE OF HER COUNCIL, [REDACTED] IN WASHINGTON, D.C. [REDACTED]

b6  
b7c

b3  
b6  
b7c

b6  
b7c



PAGE THREE DE FBIPX 0003 UNCLAS

[REDACTED] SENATOR DE CONCINI. [REDACTED]

CONFIRMED THE FACT [REDACTED]

[REDACTED]

b6  
b7C  
b7D

PAGE FIVE DE FBIPX 0003 UNCLAS

HAVE BEEN PRESENT IN THE OUTER OFFICE DURING THE 4/2 MEETING WITH GREY AND POSSIBLY THE 4/9 MEETING WITH THE FHLBB, SAN FRANCISCO, REPRESENTATIVES.

ON 3/7/90, GEORGE GOULD (FORMER SECRETARY OF TREASURY), CURRENTLY EMPLOYED IN NEW YORK CITY, STATED HE MET WITH CHARLES KEATING ON TWO OCCASIONS. DURING THE FIRST MEETING, KEATING AND HE "TALKED PHILOSOPHY" CONCERNING THE OPERATIONS OF SAVINGS AND LOAN INSTITUTIONS. THE SECOND MEETING, KEATING "THREW HIS WEIGHT AROUND", BECAUSE KEATING WAS AWARE GOULD WAS DRAFTING LEGISLATION WHICH WOULD BE SUPPORTIVE OF [REDACTED] POSITION, REGARDING DIRECT INVESTMENTS BY SAVINGS AND LOANS. KEATING TOLD [REDACTED] HE HAD SIGNIFICANT INFLUENCE IN THE SENATE AND COULD HELP OR HINDER GOULD'S EFFORT TO HAVE LEGISLATION PASSED. KEATING FURTHER INFORMED GOULD THAT GOULD WAS NOT "IN LINE WITH THE ADMINISTRATION'S PHILOSOPHY". GOULD TOLD KEATING HIS (KEATING'S) PHILOSOPHY WAS TO RUN A SAVINGS AND LOAN ASSOCIATION AS A MUTUAL FUND WITH THE FS LIC BEARING THE COMPLETE AND TOTAL RISK. KEATING RESPONDED HE, IN FACT, FELT THIS WAY. KEATING INFORMED GOULD HE HAD ATTEMPTED TO HIRE [REDACTED] AWAY FROM THE FHLBB IN AN EFFORT TO HELP THE COUNTRY. GOULD, AFTER THE SECOND MEETING WITH KEATING,

b6  
b7c

PAGE SIX DE FBIPX 0003 UNCLAS

ALERTED APPROPRIATE SECURITY AT THE DEPARTMENT OF TREASURY NOT TO ALLOW KEATING OR HIS ASSOCIATES BACK IN THE TREASURY BUILDING FOR MEETINGS WITH ANY TREASURY PERSONNEL. GOULD FURTHER COMMENTED THAT UPON THE CONCLUSION OF THE 4/2/87, MEETING BETWEEN [REDACTED] AND THE SENATORS, [REDACTED] INFORMED HIM THE SENATORS HAD ATTEMPTED TO INFLUENCE HIM. [REDACTED] HOWEVER, WAS FORBIDDEN BY LAW, TO GO INTO DETAIL CONCERNING THE MEETING WITH THE SENATORS.

ON 3/7/90, [REDACTED] (FORMER MEMBER OF THE FHLBB), NOW EMPLOYED IN NEW YORK CITY STATED HE WAS CONFIRMED WHEN [REDACTED] WAS BEING CONSIDERED FOR A MEMBER OF THE BANK BOARD. [REDACTED] SAID ON 12/18/86, THE BOARD WAS CONSIDERING WHETHER TO CONTINUE, CHANGE, OR ABOLISH THE DIRECT INVESTMENT REGULATION. [REDACTED] WAS COMPLETELY UNFAMILIAR WITH THIS REGULATION AND HAD REQUESTED THE CURRENT REGULATION BE EXTENDED APPROXIMATELY 75 DAYS. ACCORDING TO [REDACTED] THERE HAD BEEN AN UNDERSTANDING BETWEEN [REDACTED] [REDACTED] THAT THE REGULATION WOULD BE EXTENDED, HOWEVER, ON THE DAY THE BOARD WAS TO VOTE ON THIS ISSUE, [REDACTED] PRESENTED AN ELEVEN POINT PLAN, WHICH, IF ADOPTED, WOULD HAVE DIRECTLY BENEFITED LINCOLN SAVINGS AND LOAN ASSOCIATION IN SAN JACINTO, BT

#0003

NNNN

b6  
b7c

b6  
b7c

0027 MRI 00362

RR RUEHFB FBILA

DE FBIPX #0004 0810405

ZNR UUUUU

R 220248Z MAR 90

FM FBI PHOENIX (58C-PX-41605) (P)

TO DIRECTOR FBI/ROUTINE/

FBI LOS ANGELES/ROUTINE/

BT

UNCLAS

SECTION TWO OF TWO SECTIONS

CITE: //3630//

PASS: FOR FBIHQ, PUBLIC CORRUPTION UNIT, SSA

b6  
b7c

SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON, ET  
AL; CHARLES H. KEATING, JR., DBA LINCOLN SAVINGS AND LOAN  
ASSOCIATION, CALIFORNIA AND AMERICAN CONTINENTAL CORPORATION,  
PHOENIX, ARIZONA; CORRUPTION OF PUBLIC OFFICIALS - LEGISLATIVE;  
OO: PHOENIX/LOS ANGELES.

TEXT CONTINUES:

CALIFORNIA ALLOWING THEM TO CIRCUMVENT THE DIRECT INVESTMENT

PAGE TWO DE FBIPX 0004 UNCLAS

REGULATION. [ ] STATED THIS WAS COMPLETELY CONTRARY TO THE AGREEMENT AND UNDERSTANDING PREVIOUSLY REACHED AMONG BOARD MEMBERS.

[ ] SAID HE HAD MET CHARLES KEATING AND OTHER KEATING ASSOCIATES AND NO IMPROPER REQUEST OR FAVOR WAS REQUESTED,

HOWEVER, HE WAS INVITED BY [ ]

[ ] TO PHOENIX TO REVIEW THE KEATING OPERATION.

ON 3/13-14/90, THE FOLLOWING EMPLOYEES OF THE OFFICE OF THRIET SUPERVISION, SAN FRANCISCO, WERE INTERVIEWED: [ ]

[ ] THE PURPOSE OF THESE INTERVIEWS WAS TO ADDRESS STATEMENTS MADE BY [ ]

[ ] BEFORE THE HOUSE BANKING COMMITTEE IN DECEMBER, 1989. THESE INTERVIEWS CONCERNED THE POSITION OF THE FHLBB, WASHINGTON, D.C., IN 1987, REGARDING LINCOLN SAVINGS AND LOAN. AT THAT TIME, THE FHLBB IN WASHINGTON, D.C., AGREED WITH THE POSITION TAKEN BY THE SAN FRANCISCO DISTRICT. [ ]

[ ] THE ATTITUDE AND POSITION CHANGED TO THE POINT WHERE THE FHLBB IN WASHINGTON CHALLENGED EVERY ASPECT OF SAN FRANCISCO'S PREVIOUS LINCOLN SAVINGS AND LOAN EXAM OF MARCH, 1986. IT SHOULD BE NOTED FROM

b6  
b7c

b6  
b7c

b6  
b7c

PAGE THREE DE FBIPX 0004 UNCLAS

1984 TO 1986, SAN FRANCISCO SUPERVISED THE RECEIVERSHIP OF OVER 32 S&LS AND WAS NEVER CHALLENGED BY THE FHLBB IN WASHINGTON, D.C.

[REDACTED] STATED [REDACTED] A MEMBER OF THE BANK BOARD, APPROACHED [REDACTED] INDICATING THAT CHARLES KEATING HAD GIVEN HIM A FILE ON THE 11TH DISTRICT. THIS FILE HAS SINCE BEEN CHARACTERIZED AS THE "SECRET" FILE, BECAUSE ONLY [REDACTED] ACTUALLY OBSERVED THE CONTENTS. HOWEVER, [REDACTED] INDICATED [REDACTED] TOLD HIM IF THE 11TH DISTRICT COMMENCED LEGAL PROCEEDINGS AGAINST LINCOLN SAVINGS AND LOAN, THE CONTENTS OF THE "SECRET" FILE WOULD BE DISCLOSED AND THE INFORMATION CONTAINED THEREIN COULD BE DAMAGING TO UNNAMED FHLBB PERSONNEL IN THE SAN FRANCISCO DISTRICT. [REDACTED] INDICATED HE HAD GOTTEN THIS FILE DIRECTLY FROM CHARLES KEATING, HOWEVER, ITS CONTENT WAS NEVER REVEALED TO [REDACTED] OR ANY MEMBER OF THE SAN FRANCISCO DISTRICT OF FEDERAL HOME LOAN BANK.

INTERVIEWS WITH THE ABOVE INDIVIDUALS IN SAN FRANCISCO, DETERMINED THAT EXAMINERS OF THE 1988 AND 1989 EXAM OF LSL WERE CONCERNED THEIR FINDINGS WOULD NOT BE MADE A PART OF THE OFFICIAL REPORT AND THEREFORE KEPT SEPARATE RECORDS. THE NAMES OF THESE INDIVIDUALS HAVE BEEN OBTAINED AND WILL BE INTERVIEWED. THE

b6  
b7c

PAGE FOUR DE FBIPX 0004 UNCLAS

BUREAU WILL BE KEPT APPRISED BY SUMMARY TELETYPE OF THE PERTINENT  
FACTS DEVELOPED IN CAPTIONED MATTER.

BT

#0004

NNNN

58C-LA-41605-3 4

SA	SA
PBB	



FBI

## TRANSMIT VIA:

☐ Teletype  
☐ Facsimile  
☒ AIRTEL

## PRECEDENCE:

☐ Immediate  
☐ Priority  
☐ Routine

## CLASSIFICATION:

☐ TOP SECRET  
☐ SECRET  
☐ CONFIDENTIAL  
☐ UNCLAS E F T O  
☐ UNCLAS

Date 3/21/90

TO : DIRECTOR, FBI  
 (ATTN: SSA [REDACTED] PUBLIC CORRUPTION UNIT)

FROM : SAC, PHOENIX (58C-PX-41605) (P)

SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS  
 ALAN CRANSTON, DENNIS D. DE CONCINI,  
 JOHN GLENN, JOHN MC CAIN, DONALD RIEGLE;  
 CHARLES H. KEATING, JR., dba  
 LINCOLN SAVINGS AND LOAN ASSOCIATION  
 OF CALIFORNIA (LSL) AND AMERICAN  
 CONTINENTAL CORPORATION (ACC),  
 PHOENIX, ARIZONA;  
 CORRUPTION OF FEDERAL PUBLIC  
 OFFICIALS-LEGISLATIVE;  
 OO: PX/LA

Re Bureau tel to Phoenix dated 2/22/90 and Phoenix FD-761 and LHM dated 12/19/89.

For information of receiving offices, captioned matter addresses allegations of regulatory intervention by the above senators. KEATING and employees of his affiliated companies contributed approximately \$200,000 to the election campaigns of the five senators, as well as over \$1 million in additional funds to political action committees associated with the senators.

On 4/2/87, [REDACTED]

[REDACTED] was summoned to the office of Senator Dennis DE CONCINI to meet alone with Senators DE CONCINI, CRANSTON, GLENN, and MC CAIN concerning issues involving a Federal Home

2-Bureau  
 2-Cincinnati  
 2-Los Angeles (SARA)  
 1-Miami (info)  
 1-Milwaukee (info)  
 2-Phoenix  
 JDN:rh (17)

1-New York (info)  
 1-San Francisco (info)  
 1-Seattle (info)  
 2-Springfield  
 2-WMFO

58C-PX-41605-35  
 WCC-4  
 MAR 27 1991

Approved: \_\_\_\_\_

Transmitted \_\_\_\_\_

(Number) (Time)

b6  
b7Cb6  
b7Cb6  
b7C

58C-PX-41605  
JDN:rh

Loan Bank examination of LINCOLN SAVINGS AND LOAN (LSL) conducted by the San Francisco District. The senators lobbied on behalf of LSL and attempted to obtain concessions for LSL. On 4/9/87, regulators from the Federal Home Loan Bank of San Francisco met with Senators DE CONCINI, RIEGLE, GLENN, and MC CAIN as well as a brief appearance by CRANSTON, to discuss the findings of the Federal Home Loan Bank of San Francisco's examination of LSL. Again, the senators appeared to lobby the position of LSL by questioning regulatory findings and recommendations.

Subsequent actions and inactions on the part of the Federal Home Loan Bank Board to react to the recommendations of the Federal Home Loan Bank of San Francisco's examination findings and recommendations have resulted in allegations focused upon regulatory intervention with [REDACTED]

[REDACTED] The issue was ultimately resolved by a July 1988 re-examination of LSL which disclosed numerous violations of regulatory guidelines and apparent criminal irregularities warranting the placement of LSL into conservatorship on 4/14/89. The potential loss to the insured deposit fund and the American taxpayer is reported to be approximately \$2 billion.

Receiving offices provided with informational copies will be notified by Phoenix and Los Angeles Division's when investigation is to be conducted within their divisional boundaries and appropriate notification will be provided at that time with the necessary details.

b6  
b7c

58C-PX-41605  
JDN:rh

LEADS:

CINCINNATI DIVISION

AT COLUMBUS, OHIO

During the period of late 1985 to March 1986, KEATING and his affiliated companies contributed \$200,000 to the National Council on Public Policy, a tax-exempt Political Action Committee (PAC) affiliated with Senator JOHN GLENN. Investigation has disclosed KEATING and his affiliated companies had already contributed the maximum allowable amount to registered tax-exempt PAC's for the year and therefore instructed GLENN's office the contribution should be applied to non-federal "soft money" purposes rather than federal "hard money" purposes. Senator GLENN stated the funds went to his non-federal political action committee to be used for state and local campaigns, while discussing the issue during a TV interview with DAVID BRINKLEY.

Cincinnati Division should contact the appropriate officials within the Ohio Attorney General's Office and conduct interviews concerning state reporting requirements and regulations for non-federal Political Action Committee activities as they pertain to state and local election campaigns. Once the state reporting requirements are disclosed, determine whether Senator GLENN's non-federal "soft money" Political Action Committee, which also does business under the name National Council on Public Policy, complies with all appropriate state regulations. Conduct all logical investigation necessary to disclose bank accounts, regulatory filings, and activities of said non-federal PAC which addresses state and local campaign issues under the name National Council on Public Policy. Should bank accounts be identified, notify Phoenix Division for issuance of Grand Jury Subpoenas.

58C-PX-41605  
JDN:rh

SPRINGFIELD DIVISION

AT SPRINGFIELD, ILLINOIS

Will locate and interview [redacted] of the Office of Thrift Supervision, formerly Federal Home Loan Bank, Seattle, Illinois, regarding his participation in the July 1988 examination of LSL and ACC. Issues to be addressed should be all aspects of the exam, to include but not limited to, instructions regarding the review of the 1986 Federal Home Loan Bank of San Francisco examination report and supporting work papers, the scope of the examination, discussions with other examiners, rumors of the examination being a "whitewash", reported claims that examiners were instructed to overlook certain aspects of the examination, and any other unusual circumstances surrounding the exam. It should be determined whether there was any attempt, implied or direct, to influence the examiners objectivity to critical issues. Additional issues should include the precedent for such an exam utilizing personnel from numerous districts, opinion of the 1986 San Francisco exam findings and whether their 1988 examination supported San Francisco District's findings and recommendations to the bank board, and whether a standard examination format was utilized in the 1986 San Francisco District exam and the 1988 examination in which [redacted] participated. Finally, it should be determined if the 1988 examination differed materially from the 1986 San Francisco District examination in the areas of scope, findings, and resulting recommendations, and what the perceived underlying reasons for those difference may have been.

b6  
b7c

58C-PX-41605  
JDN:rh

WASHINGTON METROPOLITAN FIELD OFFICE

AT WASHINGTON, DC

1) Will contact the Office of Public Records, Room 1036, U.S. House of Representatives, Longworth Office Building, Capitol Hill, Washington, DC and obtain a listing of all lobbyists associated with a) CHARLES H. KEATING, JR., b) AMERICAN CONTINENTAL CORPORATION, c) LINCOLN SAVINGS AND LOAN ASSOCIATION, d) FIRST LINCOLN FINANCIAL CORPORATION, e) AMCOR FUNDING CORPORATION, f) AMCOR INVESTMENTS CORPORATION, g) PHOENICIAN FINANCIAL CORPORATION, h) LINFIN CORPORATION.

2) Will also obtain from the Office of Public Records, a listing of all lobbyists of record who were hired to lobby the Federal Home Loan Bank Board, Federal Savings and Loan Insurance Company (FSLIC), Office of Thrift Supervision, as well as Senators ALAN CRANSTON, DENNIS DE CONCINI, JOHN GLENN, JOHN MC CAIN, and DONALD RIEGLE.

3) Will locate and interview [redacted]  
[redacted] Association of Thrift Holding Companies, Washington, DC, concerning his contacting of [redacted]

[redacted] is the wife of [redacted] who accepted the position of [redacted] Federal Home Loan Bank, San Francisco, California, shortly before [redacted] contacted [redacted]. At the time [redacted] contacted [redacted] she was an attorney at the bank board in Washington, DC. When [redacted] learned that the California "member" was LSL, she became uneasy because [redacted] new position as a regulator for the San Francisco District within which LSL is located. [redacted] continued to call her and she eventually had to ask [redacted] to stop calling.

WMFO should determine when [redacted] was hired to solicit [redacted] employment and who hired him for ACC/LSL. Full details concerning job duties, salary, fringe benefits, etc., which [redacted] was prepared to offer should also be obtained, as well as any instructions provided by ACC/LSL personnel pertaining to the solicitation. Further, as LSL is located in Irvine, California, with headquarters in Phoenix, Arizona, where did [redacted] propose that [redacted] work for LSL as no apparent branches are located within the San Francisco, California area.

b6  
b7C

58C-PX-41605  
JDN:rh

Due to the complex and sensitive nature of caption investigation, the following leads will be conducted by Phoenix/Los Angeles Agents with the concurrence of the appropriate SAC's. A teletype will be submitted to the appropriate Division confirming SAC concurrence regarding travel of Phoenix/Los Angeles Agents. The teletype will also provide travel itineraries for Agents and outline the scope of the investigation being conducted within that Division.

PHOENIX DIVISION

AT PHOENIX, ARIZONA

1) Will interview [redacted] Federal Election Commission, Washington, DC, concerning all political action committees associated with the five senators, as well as attempt to identify non-federal political action committee affiliations. Investigation was conducted 2/8/90 and Phoenix Division continues its record review upon receipt of documents from [redacted]

b6  
b7C

2) Will serve Grand Jury Subpoena upon [redacted] Washington, DC for records relating to [redacted] Subpoena was served 2/8/90 and record review to follow upon receipt of records.

b3  
b6  
b7C

3) Will subpoena [redacted] Washington, DC, for records of [redacted] 2/8/90. Record review to follow upon receipt of documents.

b3  
b6  
b7C

4) Will subpoena [redacted] records detailing [redacted] subpoena was served upon [redacted] on 2/9/90. Record review to follow upon receipt of documents.

5) Will subpoena [redacted] for records related to [redacted] KEATING, and other affiliated companies and members of Congress. Subpoena was forwarded to the Milwaukee Division by facsimile on 2/12/90. Record review to follow upon receipt of documents.

6) Will subpoena [redacted] for records related to [redacted] Subpoena was forwarded to New York City Division by [redacted]

58C-PX-41605  
JDN:rh

facsimile on 2/12/90. Record review to follow upon receipt of documents.

7) Will review [REDACTED]

[REDACTED] Will interview officials associated with the examination, to include but not limited to [REDACTED] who testified before the Committee on Banking regarding said transactions and the financial concerns raised by the transactions.

b3  
b6  
b7C

8) Will review original records and work papers of [REDACTED]

[REDACTED] Will attempt to identify and obtain interviews of officials/personnel associated with the [REDACTED]

attempt to obtain an interview with [REDACTED]

9) Will locate and review ACC/LSL records in the Phoenix, Arizona depository relating to business dealings between KEATING and Senator MC CAIN's wife and father-in-law.

10) Will review ACC's pilot logs located within Phoenix Division evidence to obtain details of MC CAIN's vacations in the Bahamas and other travel at KEATING's expense. Will also attempt to identify travel by other senators utilizing ACC's corporate jets.

11) Will locate and review LSL records relating to loans made to R. A. HOLMES, a development company [REDACTED] DE CONCINI's campaign staff.

b6  
b7C

12) Will serve Grand Jury Subpoena provided by Santa Ana RA upon [REDACTED] and attempt to obtain an interview regarding his involvement [REDACTED]

b3  
b6  
b7C

13) Will interview former Arizona Governor BRUCE BABBITT concerning reportedly unsuccessful attempts by KEATING to influence BABBITT in his behalf.

58C-PX-41605  
JDN:rh

14) Will interview Scottsdale, Arizona, Mayor HERB DRINKWATER concerning reportedly unsuccessful attempts by KEATING to influence DRINKWATER in his behalf.

15) Will interview [redacted] former DE CONCINI

b6  
b7C

AT TUCSON, ARIZONA

Interview [redacted] has a reputation as a "traditionalist" operator of thrift institutions. It will be determined [redacted] purported duties as the new president of LSL in November 1987 as well as the circumstances surrounding his employment, short tenure, and subsequent resignation.

AT MEQUON, WISCONSIN

Will interview [redacted] former member of the Federal Home Loan Bank Board regarding ACC/LSL lobbying and exerting pressure upon board members to vote upon issues in a manner favorable to LSL. Also to be addressed will be details surrounding a secret file provided by KEATING to [redacted] and other board members concerning the Federal Home Loan Bank Board's 11th District in San Francisco, California.

b6  
b7C

AT NEW YORK CITY, NEW YORK

1) Will interview [redacted] former Federal Home Loan Bank Board member regarding ACC/LSL lobbying and exerting pressure upon board members to vote upon issues in a manner favorable to LSL. Will also address details surrounding the investigation of [redacted] and his reported association to KEATING and his affiliated companies.

b6  
b7C

2) Will interview GEORGE GOULD, former U.S. Treasury Department official regarding his reported comment that KEATING bragged to him about his political influence and his job offer to former Federal Home Loan Bank Board [redacted]

AT SAN FRANCISCO, CALIFORNIA

Will review Federal Home Loan Bank Board, San Francisco District, 1986 examination report of LSL and available work papers dealing with critical issues and interview/re-interview San Francisco District examiners regarding issues raised by [redacted] [redacted] as well as other



58C-PX-41605  
JDN:rh

Washington, DC supervision concerning San Francisco District's inadequate examination and lack of sufficient evidence to warrant the appointment of a conservator or a cease and desist order as recommended. Individuals to be interviewed/re-interviewed shall include but not be limited to [REDACTED]

b6  
b7C

[REDACTED] other officials associated with the 1986 examination of LSL.

AT WASHINGTON, DC

Will interview [REDACTED]  
of Senator DENNIS DE CONCIINI regarding [REDACTED]

b6  
b7C  
b7D

[REDACTED] This interview is to be conducted by Phoenix and Santa Ana RA agents the week of March 5, 1990.

AT SEATTLE, WASHINGTON

Will locate and interview [REDACTED]  
[REDACTED] Office of Thrift Supervision, Seattle, Washington, concerning his opposition to a proposal that LSL's supervisory district be transferred from San Francisco to Seattle, Washington.

b6  
b7C

On 2/19/88, ACC/LSL personnel met with Federal Home Loan Bank of Seattle's supervision at the suggestion of [REDACTED] the Office of Regulatory Activities, Federal Home Loan Bank Board, Washington, DC. [REDACTED] suggested that the Seattle supervision meet with LSL/ACC personnel to discuss the possibility of transferring supervision from the Federal Home Loan Bank of San Francisco to Seattle should LSL/ACC acquire an institution within the territory of the Seattle District. [REDACTED] has stated that after the Seattle District completed its review, [REDACTED] contacted him to explain that Seattle District had decided to make a recommendation which would show support for a fellow district. On 3/11/88, the Federal Home Loan Bank of Seattle submitted a memorandum opposing the proposed transfer of supervision as it would set a bad precedent. Furthermore, the Federal Home Loan Bank of Seattle believed LSL was engaged in a delaying tactic to thwart regulatory action as long as possible.

58C-PX-41605  
JDN:rh

Will obtain details of the LSL/ACC contacts with the Federal Home Loan Bank of Seattle prior to the meeting of 2/19/88. It will be determined what proposals and concessions LSL/ACC made to the Seattle District in an attempt to gain their support for the proposal. Should any Federal Home Loan Bank of Seattle employees have received job offers from LSL/ACC near this time period, those individuals will be identified and interviewed concerning all aspects of the job offer.

[ ] will be interviewed concerning any outside influence being exerted upon himself or others involved in the assessment, to include Washington, DC supervision. This questioning should include the overall nature of the request by [ ] for Seattle District to meet with LSL/ACC officials and discuss an issue with little or no precedence and whether undue criticism of Federal Home Loan Bank, San Francisco, was conveyed by [ ] in an apparent effort to influence Federal Home Loan Bank, Seattle's recommendation.

b6  
b7c

LOS ANGELES DIVISION

AT SANTA ANA, CALIFORNIA

1) Will subpoena California Democratic party for records relating to an \$85,000 contribution by AMERICAN CONTINENTAL CORPORATION (ACC) in 1986, which was reportedly spent for Senator ALAN CRANSTON's re-election effort. Record reviews should follow along with interviews of appropriate California Democratic party officials.

2) Will interview [redacted] Los Angeles, California, regarding circumstances of a) \$100,000 he reportedly raised for the Republican party from KEATING and his associates, b) \$172,000 he reportedly raised for California Governor GEORGE DEUKMEJIAN from KEATING and his associates, and c) lobbying to be conducted on behalf of KEATING.

b6  
b7C

3) Will subpoena and review records of the Center for Participation in Democracy, Los Angeles, California, The Organizing Institute, Pacific Grove, California, The Forum Institute, Washington, DC, and U.S.A. Votes (New Dimension Resources), Washington, DC. Investigative leads will be set upon the conclusion of the record reviews.

4) Will interview appraiser [redacted] Los Altos, California, and review real property records in connection with [redacted] appraisal of property located at 215 Main Street, Los Altos, California, showing title in the name of ALAN CRANSTON. Will also interview former LSL employee [redacted] concerning the contemplation by LSL to provide a loan to CRANSTON for the Los Altos property in October 1986. Interviews have been concluded by Santa Ana RA on January 31, 1990 and February 5, 1990, respectively.

b6  
b7C

5) Will interview [redacted], Center for Participation in Democracy Fund Raiser regarding the \$400,000 contribution to Center for Participation in Democracy made by ACC on 2/10/88.

b6  
b7C

6) Will interview [redacted] regarding a

[redacted]

7) Will interview [redacted] regarding the \$400,000 contribution to Center for Participation in Democracy made by ACC on 2/10/88. [redacted] accompanied his father to Phoenix when this contribution was solicited from KEATING.

58C-PX-41605  
JDN:rh

[ ] 8) Will subpoena relevant records in possession of [ ]  
[ ] a U.S.A. Votes Fundraiser. [ ] has already been  
interviewed by Santa Ana RA.

b6  
b7C

9) Will follow-up on source information that CRANSTON  
may have received two unsecured loans of approximately \$200,000  
each in 1988 from MERCURY SAVINGS, Los Angeles, California. No  
such loans were disclosed upon CRANSTON's Senate Disclosure  
Forms.

10) Will provide Phoenix Division with a Grand Jury  
Subpoena for [ ]  
[ ]

b3  
b6  
b7C

AT PHOENIX, ARIZONA

Will review Federal Home Loan Bank records stored at  
the Phoenix, Arizona Depository regarding contacts between  
regulators and the United States Senators.

AT WASHINGTON, DC

1) Will interview CRANSTON's banking aid, [ ]  
[ ] regarding services she or CRANSTON performed on behalf of  
KEATING and his affiliated companies.

b6  
b7C

2) Will interview CRANSTON's administrative aid, [ ]  
[ ] regarding services [ ] his staff, or CRANSTON  
performed on behalf of KEATING and his affiliated companies.

3) Will interview [ ] who sought CRANSTON's  
assistance in obtaining Federal Home Loan Bank Board approval of  
his proposed purchase of LSL from ACC in 1989.

Upon the completion of the aforementioned investigative leads, the following investigation will be conducted by Phoenix/Los Angeles Agents with the concurrence of appropriate SAC's:

a) Re-interview [redacted]  
Federal Home Loan Bank Board, at Miami, Florida,  
regarding [redacted]

b6  
b7C  
b7D

b) Locate and interview [redacted]  
[redacted] the Office of Regulatory Policy, oversight and supervision of the Federal Home Loan Bank Board concerning his assessment of the San Francisco District's March 1986 examination of LSL and his support for action based upon this exam. It should also be determined whether [redacted] memorandum dated 7/23/87 recommending regulatory action against LSL led to his dismissal or resignation from the Federal Home Loan Bank Board.

b6  
b7C

c) Interview [redacted] Office of Thrift Supervision, Washington, DC, regarding her 407-Investigation of LSL concerning "file stuffing" to bolster and enhance inadequately documented loan files.

d) Interview [redacted] Washington, DC [redacted]  
[redacted] regarding [redacted] conversations with [redacted] in late 1987 or early 1988 concerning CHARLES H. KEATING, JR.'s political influence at the Federal Home Loan Bank Board in Washington, DC, and the pressure to remove the exam process away from the San Francisco District to the Washington, DC District.

b6  
b7C

e) Interview [redacted] Farm Credit Administration official, Washington, DC, who reportedly witnessed [redacted] conversation with [redacted] in late 1987 or early 1988 concerning CHARLES H. KEATING, JR.'s influence with the Washington, DC Federal Home Loan Bank Board and the effort to move the exam process from San Francisco, California to Washington, DC.

f) Interview [redacted] Office of Thrift Supervision, Washington, DC, regarding the 1988 exam of LSL. The interview should address specific differences/similarities in the findings as compared to the March 1986 examination conducted by the San Francisco District. This interview will rely heavily upon the investigative findings set forth in leads above.

b6  
b7C

g) Interview the staff of [redacted] at the Office of Thrift Supervision, Washington, DC, directly associated with the 1988 examination of LSL to include but not limited to 1) [redacted]  
[redacted]

h) Interview [redacted] Enforcement Regulatory Commission, Office of Thrift Supervision, Washington, DC with the detailed specifics of the San Francisco District's 1986 examination findings as compared to the Washington 1988 exam findings and address each issue she made during her 11/21/89 testimony to the committee on banking which discredited the San Francisco District exam and heaped laudatory praise upon herself despite the belated action taken against LSL.

i) Interview [redacted] Office of Thrift Supervision, Washington, DC, with detail specifics of the San Francisco District's 1986 examination findings as compared to the 1988 exam findings of LSL and address each issue he made during his 11/21/89 testimony before the Committee on Banking to discredit the San Francisco District's regulatory recommendations and justify the bank board's lack of action against LSL until 4/14/89.

b6  
b7C

j) Interview senators and congressmen who received campaign contributions raised by CHARLES H. KEATING, JR., and his affiliated companies and those who met with KEATING in order to learn whether KEATING solicited favors from these congressmen as well. Investigation to date has disclosed these politicians include Senators WILSON, HAWKINS, MATTINGLY, and WIRTH, as well as Congressman PASHAYAN, BARNARD, and former Congressman JACK KEMP, currently serving as Secretary for Housing and Urban Development.

58C-PX-41605  
JDN:rh

k) Interview [redacted]  
[redacted] regarding his knowledge of 1) KEATING pressure  
upon [redacted] and 2) KEATING's influence on the  
nomination of [redacted]  
[redacted] to the Federal Home  
Loan Bank Board.

b6  
b7c

0034 MRX 00256

RR RUEHFB FBISE FBIIA

DE FBIPX #0002 0940245

ZNR UUUUU

R 040231Z APR 90

FM FBI PHOENIX (58C-PX-41605) (P)

TO DIRECTOR FBI/ROUTINE/

FBI SEATTLE (58C-PX-41605)/ROUTINE/

FBI LOS ANGELES (58C-PX-41605)/ROUTINE/INFO

BT

UNCLAS

CITE: //3630//

PASS: SSA [REDACTED] PUBLIC CORRUPTION UNIT.

SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON, ET AL.; DBA LINCOLN SAVINGS AND LOAN ASSOCIATION (LSL) AND AMERICAN CONTINENTAL CORPORATION (ACC), PHOENIX, ARIZONA; CORRUPTION OF FEDERAL PUBLIC OFFICIALS - LEGISLATIVE; OO: PHOENIX/LOS ANGELES.

RE PHOENIX AIRTEL TO THE BUREAU, MARCH 21, 1990, AND TELEPHONE CALL OF SA [REDACTED] (PHOENIX) TO SA [REDACTED] (SEATTLE), APRIL 2, 1990.

TELETYPE

APR 3 7 53 PM '90  
TELETYPE ROOM

b6  
b7C

b6  
b7C

58C-PX-41605-36

SEARCHED	INDEXED
SERIALIZED	FILED
APR 03 1990	

WCC  
4

[REDACTED]

ifj

b6  
b7C



PAGE TWO DE FBIPX 0002 UNCLAS

FOR THE INFORMATION OF THE BUREAU AND LOS ANGELES, DURING INTERVIEWS OF FEDERAL HOME LOAN BANK AND OTS EMPLOYEES IN SAN FRANCISCO, CALIFORNIA, IT WAS LEARNED AFTER THE ELEVENTH DISTRICT OF THE FEDERAL HOME LOAN BANK, SAN FRANCISCO, WAS REMOVED AS SUPERVISORY AUTHORITY TO THE FEDERAL HOME LOAN BANK BOARD, NUMEROUS EXAMINERS CHOSEN TO CONDUCT THE 1988 AND 1989 EXAMINATION OF LSL THOUGHT THE EXAM WAS A "WHITEWASH". [REDACTED]

[REDACTED] OF THE TWELFTH DISTRICT (SEATTLE) WAS THE INDIVIDUAL WHO BRIEFED THE EXAMINERS REGARDING THE 1988 AND 1989 EXAMS. IT HAS BEEN FURTHER LEARNED THAT [REDACTED] WOULD HAVE RECEIVED HIS INSTRUCTIONS FROM [REDACTED] OF THE FEDERAL HOME LOAN BANK BOARD.

ADDITIONALLY, PRIOR TO THE TRANSFER AUTHORITY FROM SAN FRANCISCO TO THE FEDERAL HOME LOAN BANK BOARD, [REDACTED] RECEIVED SEVERAL TELEPHONE CALLS FROM [REDACTED] THE SEATTLE BANK, REGARDING THE TRANSFER OF SAN FRANCISCO'S AUTHORITY. THE FINAL DECISION MADE BY [REDACTED] WAS TO NOT ACCEPT AUTHORITY OVER LSL.

[REDACTED] WILL BE INTERVIEWED AND NO ASSISTANCE IS REQUESTED OF THE SEATTLE DIVISION. PHOENIX CASE AGENT, AS AGREED IN RE TELCAL, WILL BRIEF SEATTLE FBI PRIOR TO HIS DEPARTURE

b6  
b7c

PAGE THREE DE FBIPX 0002 UNCLAS

CONCERNING THE INTERVIEWS CONDUCTED. SAC'S PHOENIX AND SEATTLE  
CONCUR IN THE NECESSITY OF PHOENIX CASE AGENT'S TRAVEL TO SEATTLE  
APRIL 16-19, 1990, TO CONDUCT THESE INTERVIEWS.

BT

#0002

NNNN

MRI 02145

PP FBIPX FBILA

DE RUEHFB #0189 0540546

ZNR UUUUU

P 222311Z FEB 90

FM DIRECTOR FBI

TO FBI PHOENIX (58C-PX-41605)/PRIORITY/

FBI LOS ANGELES (29D-LA-102009)/PRIORITY/

BT

UNCLAS

CITE: //0622//

SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON,  
DENNIS D. DECONCINI, JOHN GLENN, JOHN MCCAIN, DONALD RIEGLE,  
CHARLES H. KEATING, JR., DBA LINCOLN SAVINGS AND LOAN (LSL)  
ASSOCIATION OF CALIFORNIA AND AMERICAN CONTINENTAL CORPORATION  
(ACC), PHOENIX, ARIZONA; CORRUPTION OF FEDERAL PUBLIC  
OFFICIALS - LEGISLATIVE; OO: PHOENIX/LOS ANGELES.

REPX FD-761 AND LHM DATED DECEMBER 19, 1989, AND  
BUTELCALL OF SSA [REDACTED] TO PHOENIX ON FEBRUARY 8,  
1990.

b6  
b7C

TELETYPE



58C-PX-41605-37  
~~29D-LA-102009-B~~  
SEARCHED INDEXED  
SERIALIZED FILED  
MAR 1 1990  
FBI - PHOENIX  
[REDACTED]

PAGE TWO DE RUEHFB 0189 UNCLAS

ON FEBRUARY 8, 1990, A MEETING WAS HELD AT THE PUBLIC INTEGRITY SECTION (PIS), DEPARTMENT OF JUSTICE (DOJ) CONCERNING CAPTIONED MATTER. PRESENT AT THE MEETING WERE REPRESENTATIVES OF THE PIS/DOJ, U.S. ATTORNEY'S OFFICE, CENTRAL DISTRICT OF CALIFORNIA, AND FBIHQ. AT THAT MEETING IT WAS AGREED THAT CAPTIONED MATTER SHOULD BE UPGRADED TO A FULL INVESTIGATION. THE INVESTIGATIVE LEADS IN REFERENCED LHM WERE REVIEWED AND IT WAS AGREED CERTAIN AREAS SHOULD RECEIVE PRIORITY. THOSE AREAS HAVE BEEN TELEPHONICALLY PROVIDED TO PHOENIX AND LOS ANGELES. SPECIFICALLY, INTERVIEWS CONCERNING

[REDACTED] ARE

CONSIDERED EXTREMELY IMPORTANT TO THE SUCCESSFUL RESOLUTION OF THIS MATTER. IN ADDITION, PHOENIX AND LOS ANGELES ARE REMINDED THAT PRIOR TO INTERVIEWING JOURNALIST [REDACTED]

[REDACTED] A SPECIFIC REQUEST MUST BE SUBMITTED TO FBIHQ IN ORDER THAT THE APPROPRIATE APPROVAL MAY BE OBTAINED.

PHOENIX AND LOS ANGELES SHALL CONTINUE TO KEEP THE BUREAU ADVISED OF DEVELOPMENTS IN CAPTIONED MATTER ON A TIMELY BASIS.

BT

#0189

NNNN

b6  
b7c

1

## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 3/12/90

[redacted] was interviewed [redacted]

b6  
b7C  
b7D

Present for the entire interview were Assistant United States Attorney (AUSA) [redacted] and [redacted]

[redacted] Present for a portion of the interview was [redacted]

[redacted] The interview was conducted according to the agreement [redacted] between the United States Attorney for the Central District of California and [redacted] which is attached hereto. After having been advised of the interviewing agent's identity and the nature of the interview, [redacted] provided the following information:

[redacted] said [redacted]

[redacted] Social Security number is [redacted]

[redacted] home address is [redacted]

b6  
b7C  
b7D

[redacted] advised that [redacted]

b6  
b7C  
b7DInvestigation on 2/22/90 at [redacted]58C-PX-41605 ✓ - 38  
File # 56C-LA-101615

by SA [redacted] /cpt

Date dictated 3/1/90b6  
b7C  
b7D

58C-PX-41605-E

✓

✓



Jan

b6  
b7C

58C-PX-41605-39



ef

ef

b6  
b7C

1

## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 3/7/90

[redacted] was interviewed at [redacted]

[redacted] The interview was conducted pursuant to the attached agreement [redacted] between the United States Attorney for the Central District of California and [redacted] Present during the entire interview on [redacted]

[redacted] Assistant United States Attorney (AUSA) [redacted]

After having been advised of the interviewing agent's identity and the nature of the interview, [redacted] provided the following information:

[redacted] stated [redacted]

[redacted] Social Security number is [redacted]

[redacted] home address is [redacted]

b6  
b7C  
b7Db6  
b7C  
b7D

Investigation on 2/22/90 at [redacted] File # 58C-PX-41605 ✓-39  
2/23/90  
by SA [redacted] cpt Date dictated 2/28/90

b6  
b7C  
b7D



FBI

## TRANSMIT VIA:

☐ Teletype  
☐ Facsimile  
☒ AIRTEL

## PRECEDENCE:

☐ Immediate  
☐ Priority  
☐ Routine

## CLASSIFICATION:

☐ TOP SECRET  
☐ SECRET  
☐ CONFIDENTIAL  
☐ UNCLAS E F T O  
☐ UNCLAS

Date 3/1/90

TO : DIRECTOR, FBI  
 (ATTN: [REDACTED] SUPERVISOR,  
 INVESTIGATIVE SUPPORT SECTION, CID)

FROM : SAC, PHOENIX (29D-IA-102009) (P)

SUBJECT: DESERT GEM;  
 MAJOR CASE 24;  
 OO: LOS ANGELES

ALAN CRANSTON;  
 DENNIS D. DECONCINI;  
 JOHN GLENN;  
 JOHN MC CAIN;  
 DONALD RIEGLE;  
 U. S. SENATORS;  
 CHARLES H. KEATING, JR.;  
 dba LINCOLN SAVINGS AND LOAN ASSOCIATION,  
 AMERICAN CONTINENTAL CORPORATION,  
 PHOENIX, ARIZONA;  
 CORRUPTION OF FEDERAL PUBLIC OFFICIALS - LEGISLATIVE;  
 OO: PHOENIX

Re Phoenix telephone call of SAA [REDACTED]  
 [REDACTED] 2/15/90.

REQUEST OF THE BUREAU.

Investigative Support Section is requested to consider captioned case for the creation of a time-flow data base and subsequent time-flow charts to assist in the investigation and prosecution of both captioned cases due to their complex nature. As this case has progressed, it is apparent to the investigators and by request of the six prosecutors currently assigned, that a time-flow chart or charts would greatly assist in understanding and correlating the events that occurred in these cases. The

3 - Bureau  
 ④ - Los Angeles (2 - 58C-PX-41605)  
 4 - Phoenix (2 - 58C-PX-41605)  
 IJF/dkm  
 (11)

1

MAR 15 1990

Approved: \_\_\_\_\_ Transmitted \_\_\_\_\_

(Number) (Time)

b6  
b7Cb6  
b7Cb6  
b7C

time-flow charts would assist the investigators, which currently include FBI Phoenix, FBI Los Angeles (Santa Ana RA), State of Arizona ATTORNEY GENERAL'S OFFICE, Orange County Prosecutors Office, INTERNAL REVENUE SERVICE (IRS), U. S. DEPARTMENT OF LABOR (DOL), and FDIC, who meet on a periodic basis to discuss the various aspects of the case.

Any additional information necessary for this request may be directed to SAA [redacted] Phoenix Division, or SAA [redacted] Santa Ana RA, Los Angeles Division.

b6  
b7C

#### BACKGROUND INFORMATION:

Captioned Bank Fraud and Embezzlement investigations involves the failure and subsequent takeover of LINCOLN SAVINGS AND LOAN (LINCOLN SAVINGS), Phoenix, Arizona. LINCOLN SAVINGS was, at the time of the takeover, the third largest savings and loan association in the State of California with approximately 5.6 Billion dollars in assets. LINCOLN SAVINGS was a subsidiary of AMERICAN CONTINENTAL CORPORATION (ACC), Phoenix, Arizona, a publically traded corporation with majority owner CHARLES H. KEATING, JR., acting as Chairman of the Board. [redacted]

[redacted] are also ACC shareholders and employees of ACC and LINCOLN SAVINGS at above market salaries. KEATING himself is from a wealthy, prominent family in Cincinnati with ties to national political figures.

b6  
b7C

Three referrals have been received by the FBI in Los Angeles and Phoenix, alleging various criminal acts perpetrated by a consortium of LINCOLN SAVINGS and ACC employees numbering between 30 to 40 individuals. Los Angeles and Phoenix agents have met and agreed upon a course of investigation in which both offices will be primarily responsible for different aspects with assistance from the other.

This is the largest savings and loan failure in the history of the United States. The FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC) and OFFICE OF THRIFT SUPERVISION (OTS) estimates the cost of the takeover to the U. S. will be between 2 billion and 2.5 billion dollars. The House Banking Subcommittee chaired by U. S. Representative HENRY GONZALES, held hearings during October through December, 1989, into the Federal Home Loan Bank Board's regulation of LINCOLN SAVINGS. This committee has taken under consideration the possibility of resuming those hearings to focus on the relationship between KEATING/LINCOLN

29D-LA-102009  
IJF/dkm

SAVINGS and [REDACTED] The committee is also considering focusing the hearings and the relationships between KEATING/LINCOLN SAVINGS and the following: MDC/SILVERADO SAVINGS, Denver, Colorado; [REDACTED] SOUTHMARK CORPORATION, SAN JACINTO SAVINGS AND LOAN ASSOCIATION (SJ), Dallas and Houston, Texas; and [REDACTED] CENTRUST SAVINGS BANK, Miami, Texas.

b6  
b7C

The State of California Assembly Banking Committee held hearings in December, 1989, chaired by California Assemblyman PATRICK JOHNSON. The hearings focused on the circumstances relating to the State approval for the sale of ACC subordinates debenture bonds through the LINCOLN SAVINGS branches.

The SECURITIES EXCHANGE COMMISSION (SEC) has initiated an investigation regarding the sale of the ACC subordinate debenture bonds and the ACC financial condition which supported the bond prospectus. The SEC has devoted 12 investigative personnel to this matter and considers the investigation their highest priority.

The FDIC has obtained the Kansas City law firm of MORRISON AND HECKER to file a lawsuit. In August, 1989, the FDIC filed a 1.1 billion dollar suit against KEATING, numerous officers and directors of ACC and LINCOLN SAVINGS alleging various acts of RICO violations.

On 4/13/89, KEATING placed ACC and 11 subsidiaries of LINCOLN SAVINGS into bankruptcy before U. S. District Judge HENRY BILBEY, Phoenix, Arizona. Approximately 16 law firms representing various civil litigants who have suits filed against ACC/LINCOLN SAVINGS or are defendants in these suits have petitioned Judge BILBEY's bankruptcy court [REDACTED]

b3  
b6  
b7C

[REDACTED] were also subpoenaed by the Federal Grand Jury, Central District of California, pursuant to this matter. These actions prompted Judge BILBEY [REDACTED]

[REDACTED] in the civil suits, the ACC bankruptcy, and a central location to address Federal Grand Jury subpoenas.

ACC and other designated parties [REDACTED]

[REDACTED] ACC provided an

additional [REDACTED]

b3

The investigation is being investigated in various aspects, a synopsis of each follows:

1. Backdating of loan files involve a 300 million dollar loan from LINCOLN SAVINGS to one of its subsidiaries. The direct investment banking regulation proposed on 12/10/84 limited a savings and loan's direct investments to 10% of assets. Documentation of land transfers and the loan did not commence until February, 1985; however, documents were backdated to 11/30/84, in an attempt to grandfather the 300 million dollar investment and exempt it from regulation.

2. File stuffing involves the apparent production and placement of analysis documents into LINCOLN SAVINGS investment files to give the appearance that adequate underwriting and analysis had been performed before the investment purchases were made. LINCOLN SAVINGS debt securities during 3/86 at bank examination time were 350 million dollars in "junk bonds" and 170 million dollars in equity securities. ARTHUR ANDERSON AND COMPANY, Certified Public Accountants (CPAs) and LINCOLN SAVINGS investment analysts were involved in fraudulent file stuffing to deceive the bank examiners.

3. HOTEL PONTCHARTRAN focuses on proving members of a partnership, which includes officers, directors, and major borrowers of LINCOLN SAVINGS and ACC of causing a misapplication of LINCOLN SAVINGS funds of at least 20 million dollars in the investment acquisition and refurbishing of the HOTEL PONTCHARTRAN in Detroit, Michigan.

4. MEMOREX securities deals in the sale of stock to E. C. GARCIA by LINCOLN SAVINGS with the subsequent purchase by ACC. This circumvented bank regulator approval and caused a gain of 11,300,000 dollars to ACC and a corresponding loss to LINCOLN SAVINGS.

5. PLAYTEX securities also deals in the sale of stock on 4/30/87 to ACC from LINCOLN SAVINGS for 1.2 million dollars with the subsequent sale by ACC for 12.47 million dollars through DREXEL, BURNHAM AND LAMBERT, a securities firm also suspect in its

other securities transaction for or with ACC officials, including sales of 125 million dollars in ACC bonds in 1983, a portion of which was used by ACC to acquire LINCOLN SAVINGS in 1984.

6. Subordinate Debenture Bonds is a matter involving the sale of 230 million dollars of ACC bonds (junk bonds) through the 29 LINCOLN SAVINGS branches in California between 12/86 and 3/89 to approximately 23,000 investors. The bonds, now worthless and sold to many elderly and retired individuals who converted insured CD's from LINCOLN SAVINGS, were sold with false and misleading representations.

7. Land fraud area involves sales and acquisition of undeveloped property financed by LINCOLN SAVINGS deposits that profited certain customers and allowed ACC to upstream a percentage of the fraudulently created book profits. The cash upstreaming to ACC occurred pursuant to a tax sharing agreement and created a source of needed income to the parent company. The income reflected on ACC and LINCOLN SAVINGS' financial statements would not have been allowed by accounting principals on multi-million dollars of land sales on thousands of acres of Arizona desert land.

8. Employee Stock Option Plan (ESOP) investigation targets KEATING, [redacted] and certain insiders from suspect ACC stock sales that benefited them personally and left debt owing on the books of LINCOLN SAVINGS.

b6  
b7C

9. [redacted] is a targeted land developer who is involved in the land fraud area, a PONTCHARTRAN investor and a borrower who left owing 155 million dollars on the books of LINCOLN SAVINGS.

10. Political matters focus on the campaign contributions made by KEATING and other LINCOLN SAVINGS and ACC offices to campaigns of five U. S. Senators who intervened on behalf of CHARLES KEATING. KEATING had objected to [redacted] direct investment regulation that impacted on LINCOLN SAVINGS' percentage of direct investment and its ability to operate.

[redacted] testimony before the House Banking Committee and other factors have prompted the Senate Ethics Committee to initiate an investigation into this area.

The Political matters area also focus on the numerous other political acts done by KEATING to affect regulation and impede the examination of LINCOLN SAVINGS by examiners. The various acts allowed KEATING and other ACC officers to upstream funds from LINCOLN SAVINGS to further enrich themselves.

The time line or lines in the matter would run between years 1983 and 1989 would focus on:

1. Banking regulatory dates affecting ACC and LINCOLN SAVINGS.

2. Banking examination dates for ACC and LINCOLN SAVINGS.

3. Financial statement dates such as yearly and quarterly.

4. Political contribution dates.

5. Bond sales and dates.

6. Financial condition dates of ACC and LINCOLN SAVINGS.

7. Employment dates of subjects/targets.

8. Major land/security sales affecting book profits of ACC and LINCOLN SAVINGS.

1

## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 3/12/90

[redacted] New York City, New York, 10012, was advised as to the identity of the interviewing agents and the purpose of the interview at which time he advised as follows:

[redacted] advised his date of birth is [redacted] and he was born in New York City, New York. His social security account number is [redacted] His current profession [redacted]

[redacted] confirmed the fact that [redacted] the Federal Home Loan Bank Board located in Washington D.C. [redacted]

[redacted] advised [redacted] [redacted] did not previously know [redacted] however, believes he may have spoken with him on the phone prior to [redacted] He believes at the time [redacted]

[redacted] nor was he initially interested in the position at the Federal Home Loan Bank Board. He had been originally solicited to take a position with the INTERNATIONAL TRADE COMMISSION and had agreed. The background investigation had been completed, however, the position had not officially opened up at the time.

[redacted] recalls on either October 15, 1986 or October 22, 1986, he received a call from one [redacted] of the White House personnel office. [redacted] asked [redacted] if he would be interested [redacted] the Federal Home Loan Bank Board. He stated [redacted] since the background investigation on [redacted] had

Investigation on 3/7/90 at New York, New York File # 58C-PX-41605 - 41

by SA [redacted] GKM/IRI Date dictated 3/12/90

58C-PX-41605

Continuation of FD-302 of [REDACTED], On 3/7/90, Page 2

b6  
b7C

been completed he could immediately fill the position. [REDACTED] also mentioned that a prior candidate [REDACTED] had been disqualified based on his relationship with one CHARLES KEATING. [REDACTED] then inquired if [REDACTED] knew [REDACTED] answered negative.

[REDACTED]

[REDACTED]

[REDACTED] He later heard third or fourth hand that [REDACTED] was a very close associate of [REDACTED] [REDACTED] never told [REDACTED] he was a friend of [REDACTED] The only knowledge [REDACTED] had of KEATING has been from what he read in the newspaper.

[REDACTED]

[REDACTED]

b6  
b7C

[REDACTED] advised [REDACTED] [REDACTED] the main issue facing the board was the issue of direct investments. The direct investment regulation had been



58C-PX-41605

Continuation of FD-302 of [REDACTED]

, On 3/7/90

, Page 3

b6  
b7C

in force for approximately two years and was due to either be renewed, changed, or canceled as of December of 1986. [REDACTED] stated that this particular time was personally [REDACTED]

[REDACTED]

[REDACTED] During this period of time, [REDACTED] also became aware of the fact KEATING opposed the direct investment regulation. He also became aware of the friction which was occurring between the bank board and KEATING, specifically regarding the Grandfather Clause and the backdating allegations which had been discovered in an examination.

[REDACTED] stated [REDACTED]

[REDACTED]

[REDACTED]

b6  
b7C

[REDACTED] He was not knowledgeable enough about the bank board business nor the history and ramifications of the direct investment regulation.

[REDACTED]

To the best of his knowledge there had never been a public hearing on the regulation, even though there had been a comment period.

[REDACTED] advised [REDACTED] was opposed to an extension and simply wanted to renew the existing regulation. [REDACTED] initially appeared to be non-committal and [REDACTED] believed he would vote for an extension.

b6  
b7C

On Monday, December 15, 1986, three days before the scheduled board meeting to have a final vote, [REDACTED] had a discussion with [REDACTED] regarding his position on the extension. [REDACTED] surprised [REDACTED] at that point and said no, he knew what had to be done and the regulation needed to be changed.

58C-PX-41605

Continuation of FD-302 of [REDACTED]

, On 3/7/90, Page 4

b6  
b7C

[REDACTED]

At this point, on December 15, 1986, it then appeared the three man board was split three ways. [REDACTED] wanted an extension, [REDACTED] wanted to change the regulation and [REDACTED] wanted to renew the regulation as it existed. By December 17, 1986, the day before the scheduled vote, the issue still had not been resolved.

[REDACTED] recalls on that day there was a lot of activity by the staff of the bank board. There were a number of briefings which took place and discussions regarding the direct investment regulation. [REDACTED] further recalls meeting with one [REDACTED] an Attorney and lobbyist for the association of THRIFT HOLDING COMPANIES. Also with him was one [REDACTED] of an existing savings and loan. They both were attempting to lobby [REDACTED] however, he refused to discuss the direct investment matter with them. He does not recall what they talked about. [REDACTED]

b6  
b7C

[REDACTED] He believes [REDACTED] may have not only been a savings and loan officer but also a [REDACTED]

[REDACTED] recalls on December 17, 1986, the board members and staff got together at approximately 8:00-8:30 p.m. [REDACTED] initially gave a speech on the direct investment and wanted it to remain in its present form. He does not recall if [REDACTED] made a proposal that evening. [REDACTED] continued to discuss the matter with [REDACTED] finally agreed to a ninety day extension. The following day, December 18, 1986, the scheduled day for the vote, staff members of [REDACTED] met and an extension was arranged. The extension actually ended up being approximately seventy-five days.

b6  
b7C

[REDACTED] recalls on December 18, 1986, the board meeting took place and lasted about one and a half hours. The meeting was held in public, however, was not a public hearing. [REDACTED] recalls various staff members spoke about the direct investment

58C-PX-41605

Continuation of FD-302 of [REDACTED]

, On 3/7/90, Page 5

b6  
b7C

regulation. He further recalls [REDACTED] formerly proposing an eleven point plan in written form regarding changes in the direct investment regulation. He further recalls [REDACTED] passing out a copy of the eleven point proposal to all individuals present.

[REDACTED] recalls thinking it was very strange that [REDACTED] was pursuing this eleven point proposal due to the fact he was well aware that [REDACTED] had agreed to an extension and a majority vote decides an issue. [REDACTED] feels its a major point as to why [REDACTED] submitted the proposal when he knew very well the other two were going to vote for an extension. [REDACTED] recalls the proposal was neatly typed and [REDACTED] read it on the record. In addition, [REDACTED] formerly voted against the extension.

[REDACTED] advised a comment period then began and a public hearing took place on either January 29 or January 30, 1987. During the comment period he recalls there were a number of lobbying efforts and letters written to the bank board. In addition, [REDACTED] convened a panel of six well known economists so as to hear their opinions regarding the direct investment regulation. Those economists included the following:

b6  
b7C

[REDACTED]  
[REDACTED] does not recall the final economist.

[REDACTED] advised the public comment period lasted approximately sixty days and expired around February 19, 1987.

[REDACTED] advised during this period of time [REDACTED]  
[REDACTED] He felt the regulation was a good one and could even have been made tougher. A vote on the regulation did in fact take place on February 27, 1990, and modifications were made making it tougher. The staff had made proposals for additional capital reserve and

b6  
b7C

58C-PX-41605

Continuation of FD-302 of , On 3/7/90, Page 6

b6  
b7C

b6  
b7C

At this point, due to  schedule, the interview was terminated and it was agreed to continue at a later date.

58C-PX-41605-41

07

Jay



b6  
b7C

58C - Px - 41605-43

97

97



for

b6  
b7C

1

## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 3/1/90

HERB DRINKWATER, Mayor, Scottsdale, Arizona, 3939 Civic Center Plaza, Scottsdale, Arizona 85251, telephone number (602) 994-2433, provided the following information regarding the campaign contributions received from CHARLIE KEATING.

Mayor DRINKWATER stated he recalls receiving money from CHARLIE KEATING in 1980 and 1984; however, the money was returned. Mayor DRINKWATER said that he never spoke with KEATING about political contributions and was never asked for any favor by KEATING. DRINKWATER said he only recalls meeting CHARLIE KEATING two or three times at social events.

Mayor DRINKWATER recalled, at one of these social events, talking with CHARLIE KEATING about zoning changes that KEATING had requested. These properties were located at 11000 North Scottsdale Road, Indian Bend Road, and Thomas. Mayor DRINKWATER said that he recalled KEATING saying, "You never voted for anything I ever had." Mayor DRINKWATER said that he, in fact, did not think these zoning changes that KEATING wanted were good for the city.

Mayor DRINKWATER further stated he recalled vaguely CHARLIE KEATING saying that, "You're the only one that never took any money." However, Mayor DRINKWATER said that these were not the exact words of CHARLIE KEATING, only his recollection of the sentiments expressed by CHARLIE KEATING.

Mayor DRINKWATER said that [redacted]

[redacted]  
[redacted] might recall the amounts of the checks sent, the dates of these checks and the manner in which the campaign contributions arose. [redacted] home telephone number is [redacted] and his car telephone number is [redacted]

b6  
b7C

Investigation on 2/22/90 at Phoenix, Arizona

File # PX 58C-41605-43 *58C-PX-41605-Sub C*

by SA [redacted] /kkc

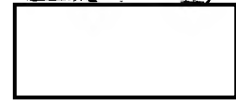
Date dictated 2/22/90

b6  
b7C

This document contains neither recommendations nor conclusions of the FBI. It is the property of the FBI and is loaned to your agency; it and its contents are not to be distributed outside your agency.

58C-PX-41605-414

C/ 11



12/25

b6  
b7C



## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 3/16/90

[redacted] Date of Birth [redacted]  
was interviewed in the presence of [redacted]

Washington, D.C. [redacted] telephone number [redacted]  
stated that her Washington residence is [redacted]  
[redacted] Washington, D.C. [redacted] telephone number [redacted]

[redacted] telephone number [redacted] provided the  
following information regarding [redacted]  
[redacted] and information regarding CHARLES  
KEATING and business associates.

[redacted] said that [redacted]  
[redacted] began  
working [redacted]

[redacted]

[redacted]

[redacted] stated that [redacted]  
[redacted] and CHARLES KEATING [redacted]  
[redacted]

[redacted]

[redacted]

Investigation on 3/6/90 at Washington, D.C. File # PX 58C-41605 -

by SA [redacted] (Los Angeles Division) and  
SA [redacted] REB/kf Date dictated 3/9/90

SEC-PX-41665-45  
9/ 01



py

b6  
b7c

## FEDERAL BUREAU OF INVESTIGATION

- 1 -

Date of transcription 3/27/90

[redacted] Federal Home Loan Bank of San Francisco (FHLB-SF), 120 Kearny Street, San Francisco, California, [redacted] provided the following information:

b6  
b7C

[redacted] said that he was unsure why the Federal Home Loan Bank Board transferred supervisory authority over LINCOLN SAVINGS AND LOAN ASSOCIATION (LSL) of Irvine, California. [redacted] believed that there was a belief on the part of the Federal Home Loan Bank Board (FHLBB) that there was friction between LSL and the FHLB-SF examination staff.

[redacted] said that he never had a conversation with [redacted] regarding [redacted]

b6  
b7C

[redacted] believes that the removal of the San Francisco District was not a condition of the Memorandum of Understanding (MOU) signed by LSL and the bank board. [redacted] believes that the removal of the San Francisco District's authority over LSL assisted in the signing of the MOU.

Investigation on 3/13/90 at San Francisco, CA File # 58C-PX-41605-45  
by SA [redacted] rh Date dictated 3/26/90

b6  
b7C

58C-PX-41605

Continuation of FD-302 of \_\_\_\_\_, On 3/13/90, Page 4

b6  
b7C

[Redacted]

[Redacted] said that he was never made aware of the 1988 and 1989 exams of LSL that was conducted by the Federal Home Loan Bank Board except what he read in the newspapers. [Redacted] said he did read that both exams supported the findings of the March 1986 exam that had been conducted by the 11th District. [Redacted] said he had no contact with any of the examiners and had no conversation with other bank presidents concerning these examinations (1988 and 1989).

b6  
b7C

[Redacted]

b6  
b7C

[Redacted]

b6  
b7C

58C-PX-41605

Continuation of FD-302 of , On 3/13/90, Page 5

b6  
b7C

b6  
b7C

It should be noted that the above interview occurred without benefit of records to refresh  memory and he stated with review of these records he could fix dates accurately.

b6  
b7C

58C - PX - 41605-46  
121 9



1  
fay

b6  
b7c

## FEDERAL BUREAU OF INVESTIGATION

- 1 -

Date of transcription 3/26/90

[redacted] Office of Thrift Supervision (OTS), 580 California Street, San Francisco, California 94104, [redacted] was contacted at his place of business. After being advised of the identity of the interviewing agents and the official nature of the interview, [redacted] voluntarily provided the following information:

b6  
b7C

[redacted] advised that his date of birth is [redacted] and his Social Security Account Number is [redacted]

The San Francisco District of the Federal Home Loan Bank Board conducted their first major examination of LINCOLN SAVINGS AND LOAN (LSL), Irvine, California, since LSL had been acquired by AMERICAN CONTINENTAL CORPORATION (ACC) of Phoenix, Arizona, beginning upon March 13, 1986. This was a full scope examination as outlined in a memorandum to LSL from the San Francisco Federal Home Loan Bank prior to the beginning of the examination. Although the examination was full scope, it did not include LSL's holding company, ACC.

The bank examination team was composed of numerous examiners who conducted the hands-on examination procedures, an Examiner in Charge (EIC) who supervised the LSL exam, a Field Manager who supervised the LSL exam, as well as several other association examinations. A supervisory agent is also assigned to the association to receive examination reports and analyze the reports for appropriate action as deemed necessary in the circumstances.

[redacted] supervised all examination personnel within the San Francisco District and was responsible for assigning [redacted] of the LSL exam, as well as [redacted] to spearhead the Phoenix-based portion of the [redacted]

b6  
b7C

Investigation on 3/13/90 at San Francisco, CA File # 58C-PX-41605-46

b6  
b7C

by SA [redacted] rh Date dictated 3/13/90

58C-PX-41605

Continuation of FD-302 of [REDACTED], On 3/13/90, Page 2

b6  
b7C

examination. It was deemed necessary to have [REDACTED] assigned to the LSL exam as considerable records and operational activities were located at LSL locations in Irvine, California and headquarters operations in Phoenix, Arizona.

In 1986, the examination function was separate from the supervisory function and personnel responsible for each task reported to different individuals within the Federal Home Loan Bank. [REDACTED]

Shortly after the initiation of the March 13, 1986 examination, the examination team disclosed major problem areas which later became the primary focus of the examination. These problem areas included; 1) major underwriting violations for loans, 2) violation of the direct investment regulations as a percentage of net worth, and 3) real estate transactions involving heavy concentration in the Phoenix, Arizona, and Tucson, Arizona areas. [REDACTED] added that [REDACTED] Federal Home Loan Bank of San Francisco, [REDACTED] advised in June 1986 that LSL's real estate transactions were a potential disaster in the making. Furthermore, the amount of LSL's violation of the direct investment regulation was greater than the entire direct investment portfolios of any other savings and loan within the San Francisco District. When the examiners began reviewing the direct investments of LSL, they found a very complex problem due to direct investments by LSL's subsidiaries creating consolidation problems. They also found investment purchases involving a "grandfather" issue wherein the dates which certain investments transpired became an issue, as well as the apparent forging of documentation.

b6  
b7C

Although the examination findings did not call for an expansion of the examination's scope, additional examination procedures and tests were called for in the circumstances which proved to be very time consuming. These additional procedures and tests included the ordering of re-appraisals for real estate transactions, hiring qualified analysts to conduct reviews of LSL's junk bond portfolio, as well as the examiner's review of virtually non-existent loan file documentation. A series of memorandums were created by San Francisco District personnel addressing the 1986 LSL examination. These memorandums include one from [REDACTED] of

b6  
b7C

[REDACTED] in New York City, New York which addressed the examination process and procedures applied a memorandum from [REDACTED] to [REDACTED] addressing those issues responsible for additional time consuming



58C-PX-41605

Continuation of FD-302 of [redacted], On 3/13/90, Page 3 b6 b7C

examination procedures and a December 10, 1986 memorandum from Supervisory Agent [redacted] to LSL as a follow-up to a meeting between San Francisco District examiners and LSL personnel setting forth the 1986 examination's preliminary report which addressed unreported losses, violations of the direct investment regulations, net worth concerns, and a directive that no further dividends be paid to ACC by LSL.

LSL and ACC took the position that the San Francisco District's 1986 examination found no violations during their examination, however [redacted] sent the examiners back into LSL to find some sort of violation. [redacted] advised that he believes this allegation arose due to the cancellation of the examination's exit conference, which was delayed due to incomplete real estate re-appraisals and junk bond reviews which had not been completed and reported upon. Due to San Francisco's examination findings, San Francisco District retained the services of PILLSBURY, MADISON, AND SUTRO, Attorney's-at-Law as outside counsel to assist in preparing recommendations for enforcement action which the San Francisco District fully expected and anticipated LSL to contest through litigation. The law firm of PILLSBURY, MADISON, AND SUTRO assigned [redacted] (phonetic) and [redacted] to this matter.

In 1986, the Federal Home Loan Bank Board was in the middle of the Thrift Institution crisis. Routine examination intervals for savings and loan associations averaged every one and one-half to two years depending upon the condition of the institution. In recent years, this interval has been more frequent. Typically, a full scope examination would be conducted during each field visit at the scheduled intervals. Examinations are primarily conducted in accordance with the Examination Objectives and Procedures Manual (EOP) which has since been replaced by new examination procedures. [redacted] advised that the EOP had basically been moth-balled nationwide prior to 1986, however, EIC's and Field Managers would set forth the examination's scope within a memorandum to the management and used basic examination and documentation techniques which were standard to the industry. [redacted] added that procedures are less standardized today than in 1986, however, the emphasis today is to conduct the examination in a timely manner.

During the course of the examination, the EIC's would write up a series of interim reports as significant findings were disclosed in order to notify management of problem areas. The EIC's would also apply additional resources to those problem areas as deemed necessary. During the LSL examination in 1986, the EIC's used considerable outside resources as they hired outside

58C-PX-41605

Continuation of FD-302 of [REDACTED]

, On 3/13/90, Page 4

b6  
b7c

real estate appraisers, outside experts to review junk bond transactions, and outside real estate investment analysts. Furthermore, the San Francisco District notified Washington, DC

[REDACTED] of major problem areas which would likely require Washington, DC action, i.e. enforcement involving conservatorship/receivership. In addition to outside resources such as real estate appraisers and securities analysts, the San Francisco District hired the law firm of PILLSBURY, MADISON AND SUTRO as well as the accounting firm of KENNETH LEVENTHAL to gain specific expertise which San Francisco believed would be necessary to address anticipated litigation from LSL. Washington, DC supervision was informed of each step taken by the San Francisco District. To support their position, San Francisco District acted at Washington, DC's direction by retaining the services of KENNETH LEVENTHAL and PILLSBURY, MADISON AND SUTRO.

Around July 1986, the San Francisco District briefed Federal Home Loan Bank Board officials in Washington, DC concerning LSL's examination and the huge problem LSL was perceived to be by the San Francisco District. In attendance for San Francisco District was [REDACTED]

b6  
b7c

[REDACTED] while Washington, DC personnel included key Washington [REDACTED]

[REDACTED] knew of instances back as far as 1984 where such action had been taken and added that although it was not common practice, it was occurring more and more frequently due to the new school of thought that institutions should be placed into conservatorship before becoming totally insolvent.

In October through December 1986, a series of drafts were composed in order to create a Statement of Supervisory Concerns to LSL. This 200-page document set forth San Francisco District's concerns, as well as the gravity of the situation as they perceived it to be. The San Francisco District also began drafting their examination report, which San Francisco fully expected to be litigated by LSL. The 1986 examination report was compiled by [REDACTED]

b6  
b7c

58C-PX-41605

Continuation of FD-302 of [REDACTED], On 3/13/90, Page 5 b6 b7C

The only criticism of the Washington, DC supervision at this time was criticism concerning the time it was taking San Francisco to get the examination report and accompanying recommendations submitted so action could be initiated against LSL. [REDACTED] reiterated the delay was largely due to outside conditions involving real estate re-appraisals and expert analytical review of junk bonds and real estate investments.

In response to the San Francisco District's report of examination, LSL's outside counsel, KAYE SCHOLER of New York City, delivered over 700 pages of rebuttal with exhibits to the Federal Home Loan Bank Board of San Francisco. [REDACTED] advised that KAYE SCHOLER had the reputation as one of the toughest litigation firms in the United States, which reinforced San Francisco's belief that LSL would litigate the issues within their examination report therefore requiring the report and its accompanying recommendations for enforcement action to be fully documented and supported. The recommendation for conservatorship/receivership is the key document when action is to be instituted against an association. The recommendation becomes a legal document which is the heart of the administrative record upon which the case is won or lost. The seriousness which the San Francisco District placed upon this recommendation was indicated by their hiring the law firm of PILLSBURY, MADISON, AND SUTRO to assist in preparing the recommendation for conservatorship.

[REDACTED] advised the San Francisco District was experienced in the area of placing institutions into conservatorship/receivership as the San Francisco District had placed a large number of institutions into such a status without ever having lost a recommendation for conservatorship/receivership. The San Francisco District's track record was extremely good in this area and [REDACTED] believed it to be the best in the Federal Home Loan Bank Board system.

[REDACTED] advised the determination for recommending appointment of a conservator for LSL would have been made by [REDACTED]

[REDACTED] upon review of the 1986 examination findings. The recommendation for the appointment of a conservator would have been written by [REDACTED] and his assistant, [REDACTED]

[REDACTED]

Although all recommendations for enforcement action were initiated by the San Francisco District, a conservatorship/receivership action must be conducted by the Federal Home Loan Bank Board of Washington, DC. The Washington, DC supervision

58C-PX-41605

Continuation of FD-302 of [REDACTED]

, On 3/13/90, Page 6

b6  
b7C

[REDACTED] spearheading the effort would have been [REDACTED] the Office of General Counsel for the Federal Savings and Loan Insurance Corporation (FSLIC), and the litigation division of the Federal Home Loan Bank Board when a challenge is anticipated. Cease and Desist Orders must also be conducted by Washington, DC's Office of Enforcement. The only action the San Francisco District can institute is to issue directives which are not enforceable by law. As a result of the 1986 examination, the San Francisco District issued directives to LSL stating no further dividends should be paid by LSL to ACC and income claimed from certain transactions should be reversed or written off.

[REDACTED] advised that in order for the Federal Home Loan Bank Board to place a state chartered savings and loan association into conservatorship, one of the following conditions must be met: 1) the institution must be insolvent, 2) the institution must be subject to unsafe and unsound practices and conditions, 3) there must be substantial dissolution of their assets due to unsafe and unsound practices or violations of law. [REDACTED] advised that the number two option was the San Francisco District's most likely avenue of pursuit, however, issues were disclosed when reviewing the purported sale of a 45% interest in the PHOENICIAN RESORT which may have enabled the San Francisco District to pursue conservatorship under option number three.

b6  
b7C

Although it was apparent LSL felt animosity towards the San Francisco District, [REDACTED] did not perceive that the San Francisco District's personnel felt animosity towards LSL. Relations between the San Francisco District and LSL were further strained by the litigious nature of LSL and the use of litigation as a tactical maneuver to stall supervisory or enforcement action.

[REDACTED] felt that the San Francisco District had a good relationship with the Washington, DC supervision, including [REDACTED] added that the only criticism he could recall from the Washington, DC supervision concerned the timeliness of San Francisco District's Report of Examination. [REDACTED] admitted that the San Francisco District had been critical of the Office of Enforcement, however, the Dallas and Atlanta Districts, as well as the Securities and Exchange Commission had all experienced major problems with [REDACTED] and the Office of Enforcement.

b6  
b7C

[REDACTED] advised that LSL was the only institution ever removed from San Francisco's jurisdiction. However, San Francisco did experience difficulty with the Washington, DC supervision in cases involving Saratoga Savings and Loan Association, Westwood

58C-PX-41605

Continuation of FD-302 of [REDACTED], On 3/13/90, Page 7

b6  
b7c

Savings and Loan Association, and American Savings and Loan Association. [REDACTED] described the Saratoga Savings and Loan situation as one wherein San Francisco recommended enforcement action while the institution represented a 10% capital margin with apparent account gimmickry similar to LSL. This institution has since failed for those reasons specifically noted by San Francisco. The Westwood Savings and Loan matter involved a situation wherein former Speaker of the House, JIM WRIGHT, applied political pressure to release FSLIC funding legislation which he was holding up in the House of Representatives. As a result, the handling of one group of assets was removed from San Francisco jurisdiction. The American Savings and Loan incident involved a situation where San Francisco had warned the Federal Home Loan Bank Board for years the institution would fail. However, Washington, DC supervision blocked action which was recommended by the San Francisco District.

Concerning [REDACTED] allegations that [REDACTED] [REDACTED] intentionally leaked confidential information concerning LSL to the press and that [REDACTED] attempted to hold LSL out as a bad association because of their direct investment practices, [REDACTED] advised [REDACTED] has since retracted the statements made before the Congressional Banking Subcommittee. Although [REDACTED] made it appear [REDACTED] released confidential information concerning former Home Loan Bank Board member [REDACTED] loans with LSL, the apparent source of the Wall Street Journal's information came from a public recorder of deeds in Georgia.

b6  
b7c

[REDACTED] advised between 1984 and 1986, the San Francisco Federal Home Loan Bank did not issue any enforcement orders against LSL. However, the San Francisco District did deny a request of LSL in January 1985 to exceed the direct investment threshold of 10% of the association's net worth. LSL appealed the decision of the San Francisco District only to be denied a second time by the district with no further appeals. [REDACTED] added the San Francisco District issued non-enforceable directives to LSL concerning questionable practices, they kept the Washington, DC supervision informed of potentially problem areas, and they continued to gather additional facts in support of their recommended directives and enforcement action.

In response to [REDACTED] Congressional testimony describing the San Francisco District's 1986 examination as "woefully inadequate" and deficient in available evidence with the exception of 1) underwriting violations, 2) direct investment violations, and 3) loan concentration violations, [REDACTED] advised these three areas were immediately identified as the biggest

b6  
b7c

58C-PX-41605

Continuation of FD-302 of [REDACTED], On 3/13/90, Page 8

b6  
b7c

problem areas in the 1986 examination. Even the enforcement office of Office of Regulatory Policy, Oversight and Supervision (ORPOS) agreed the 1986 Examination Report was well documented and later admitted basis for a Cease and Desist Order existed. [REDACTED] questioned [REDACTED] comment that the examination lacked adequate evidence as [REDACTED] killed the San Francisco District's scheduled 1987 field visit which would have provided them the opportunity to gather additional data in support of their position. [REDACTED] also refuted [REDACTED] claim that San Francisco failed to provide enforcement with "adequate legal basis" to act upon those recommendations submitted by San Francisco. [REDACTED] contends San Francisco did establish adequate legal basis concerning LSL's direct investment violations, violations of underwriting regulations, and violations of loan concentration regulations. Furthermore, it was the Office of Enforcement that hired and retained the law firm of PILLSBURY, MADISON, AND SUTRO at this time to assist in preparing an enforceable case against LSL.

The San Francisco District took little informal supervisory action against LSL with the exception of issuing directives to LSL's management. San Francisco found LSL's management unwilling to change their practices merely on the basis of non-enforceable actions issued by San Francisco. However, the San Francisco District made two criminal referrals, two Securities and Exchange Commission referrals, and one Internal Revenue Service referral in addition to recommendations to the Federal Home Loan Bank Board's enforcement office, relating to "file stuffing" of inadequately documented loan files and the back-dating of direct investment transactions whereby LSL personnel admitted the deceitful acts in both instances. [REDACTED] advised that the San Francisco District considered both issues to be major red flags as an indication of LSL management's character.

b6  
b7c

[REDACTED] did not attend a May 1987 meeting including personnel from the San Francisco District, Washington, DC supervision, general counsel, and Office of Enforcement whereby the 1986 examination report was discussed and found to inadequately support the appointment of a conservator as recommended by the San Francisco District, as stated by [REDACTED] in her congressional subcommittee testimony. [REDACTED] advised San Francisco District did believe grounds existed for their recommendation of a conservatorship or they would not have hired the law firm of PILLSBURY, MADISON, AND SUTRO to assist in preparing the conservatorship recommendation. Furthermore, the memorandum by [REDACTED] of ORPOS further contradicts [REDACTED] statements as [REDACTED] also recommended conservatorship for LSL. However, [REDACTED] concedes it may not have been possible for the Federal Home Loan Bank Board to place LSL into

58C-PX-41605

Continuation of FD-302 of [redacted], On 3/13/90, Page 9

b6  
b7C

receivership at that time due to a technical glitch whereby the Garn-St. Germaine Act, which provides the Federal Home Loan Bank Board with such regulatory power, had temporarily lapsed and was awaiting re-enactment, which was realized in August 1987.

On August 31, 1987, the San Francisco District advised LSL they would conduct a limited scope examination beginning in September 1987 to address issues set forth in LSL's 700-page response to the 1986 Examination Report. San Francisco District identified those issues which would be reviewed in the limited scope examination, which addressed issues made by LSL's counsel in their 700-page response to the examination findings and directives issued by San Francisco District. Also at this time, the firm of KENNETH LEVENTHAL, Certified Public Accountants, had been retained to review several major accounting problems, including a tax sharing agreement between LSL/ACC. The San Francisco District provided LSL with written documents showing exactly what was to be examined within the two-week limited scope field visit. One of the transactions to be reviewed was the Hidden Valley real estate transaction which San Francisco had recently identified as a potentially major problem.

After San Francisco District advised LSL of the intended field visit, LSL's management traveled to Washington, DC where they met with [redacted] the Federal Home Loan Bank Board and [redacted]

b6  
b7C

[redacted] LSL management advised [redacted] they would sue the Federal Home Loan Bank Board should the examination take place and further demanded to know why the examination was to occur and why it was needed. San Francisco was subsequently ordered not to conduct the field visit by [redacted]

In the fall of 1987, the Washington, DC supervision conducted an independent review of the San Francisco District's 1986 examination report of LSL. Their review led to an October 1987 meeting which lent support to San Francisco District's examination findings as the Washington, DC supervision confirmed that write-downs to assets of LSL were necessary. However, San Francisco District was asked to allow a period of time to lapse until January 1988 before going back to LSL for additional examination work which would update information within the 1986 examination report. Also during this time of October or November 1987, the Office of Enforcement sat down with the San Francisco District to draw up a Cease and Desist Order which would initially be presented to LSL as a Consent Cease and Desist Order.

[redacted] advised in November 1987, it appeared Washington, DC supervision had come to the following conclusions: 1) San

b6  
b7C



58C-PX-41605

Continuation of FD-302 of [redacted], On 3/13/90, Page 10

b6  
b7c

Francisco was correct in their facts concerning LSL, 2) removing San Francisco's supervisory jurisdiction of LSL was wrong, 3) San Francisco District had not been abusive to LSL, and 4) LSL's management had been engaged in deceitful practices. In light of the apparent realizations by Washington, DC, [redacted] was stunned when Washington, DC entered into the May 20, 1988 Memorandum of Understanding (MOU) and Supervisory Agreement with LSL which removed San Francisco's jurisdiction for supervisory authority of LSL.

On May 20, 1988, when the Washington, DC supervision of the Federal Home Loan Bank Board obtained the consent of LSL to conduct a new examination pursuant to the Supervisory Agreement/MOU, LSL was due for a new examination anyway. The Supervisory Agreement/MOU also resolved the contested issues in that it stated the San Francisco District's 1986 examination findings of LSL could not be used to support enforcement action against LSL. The Supervisory Agreement/MOU addressed the critical examination findings in the following manner: 1) loan underwriting violations-LSL agreed to institute a loan underwriting policy for which they presently had none, 2) direct investment violations-the agreement contained no requirement for LSL to stop making illegal direct investments and further allowed LSL to make new illegal direct investments upon current projects, 3) junk bonds-no restrictions were set forth, 4) real estate issues-received no mention in the agreement.

[redacted] believes the Federal Home Loan Bank Board would have been better off had this agreement never been executed as it subjected the association to additional losses in junk bonds, direct investments, and poor loan underwriting. [redacted] added this supervisory agreement provided LSL with all the advantages because it was not enforceable. Should LSL violate a condition of the supervisory agreement, the Federal Home Loan Bank Board would still be required to seek a Cease and Desist Order in an enforcement proceeding to deal with the violation. [redacted] advised that the only apparent advantage the Federal Home Loan Bank Board gained by the Supervisory Agreement/MOU was the receipt of LSL's consent to conduct an examination in 1988. However, LSL was due for a new examination and the Federal Home Loan Bank Board had the statutory right to conduct the examination regardless of whether LSL consented.

b6  
b7c

In order to assist the Federal Home Loan Bank Board in conducting the 1988 examination of LSL, the San Francisco District drew up a suggested scope memorandum setting forth those areas of concern which should be addressed during the 1988 examination. [redacted] advised that the 1988 exam scope was restricted by the



58C-PX-41605

Continuation of FD-302 of [REDACTED], On 3/13/90, Page 11 b6 b7C

Supervisory Agreement/MOU as the Federal Home Loan Bank Board agreed not to utilize the 1986 examination findings to determine the direction and focus of the new examination.

Despite the San Francisco District's suggested scope memorandum, the original scope of the 1988 examination did not include examination of the tax sharing agreement between LSL and its holding company, ACC. Further, the original scope of the examination did not include any exam procedures directed toward the holding company as the Supervisory Agreement/MOU did not allow for this variable. Other restrictions imposed by the Supervisory Agreement/MOU included the prohibition of the examiners to review 1986 examination findings and work papers.

Examiners participating in the 1988 examination stated they had been given very unusual, limiting instructions concerning the examination by [REDACTED]

[REDACTED] the Federal Home Loan Bank and had previously worked with [REDACTED] was assigned to the [REDACTED] prior to his appointment as [REDACTED] in Washington, DC. [REDACTED] selected [REDACTED] as well as (FIRST NAME UNKNOWN) [REDACTED] (phonetic) of the Pittsburgh District, who was tasked with reviewing real estate transactions. [REDACTED] chose not to conduct any re-appraisals of real estate during his examination. This created a controversy as the California Department of Savings and Loan Associations was conducting a concurrent examination at the time and the California State Commissioner [REDACTED] approached [REDACTED] for an advance of funds to conduct the necessary real estate re-appraisals only to be refused by [REDACTED] later stated in testimony before the Congressional Subcommittee that [REDACTED] was incompetent in the performance of his examination duties associated with the 1988 examination of LSL.

[REDACTED] (phonetic), an examiner with the California Department of Savings and Loan Associations, stated that after the federal examiners were nearly completed with their field work, they had identified only \$5-\$10 million in LSL losses. However, the California Department of Savings and Loan Associations examiners found substantially greater losses and more problems with two examiners than all the federal examiners combined. [REDACTED] advised that those examiners reporting through [REDACTED] did not disclose the violations which were expected. However, the Chicago Federal Home Loan Bank examiners conducting the examination of ACC's holding company disclosed blistering details of the tax sharing transactions between LSL and ACC. The Chicago examiners identified \$94 million in questionable transactions which was recoverable to LSL if action was taken in a timely manner. The

b6  
b7Cb6  
b7C

58C-PX-41605

Continuation of FD-302 of [redacted], On 3/13/90, Page 12

b6  
b7c

violation was found to be so flagrant that even [redacted] attempted to have [redacted] and the Enforcement Review Committee take action in a timely manner to recover the \$94 million. However, [redacted] declined to take the necessary action as she contended ACC had the money in their accounts and it could be recovered at a later date. ACC later declared bankruptcy before the Federal Home Loan Bank Board could recover the money and now the Federal Home Loan Bank Board is an unsecured creditor with no chance of recovering the dollars for LSL.

[redacted] advised that enforcement was afraid of violating the Supervisory Agreement/MOU by taking action against LSL, therefore, no enforcement action was taken at all except for the issuance of directives which LSL did not acknowledge.

[redacted] added that examiners from the Atlanta District, Chicago District, and the California Department of Savings and Loan Associations testified before the Congressional Subcommittee on Banking that they believe the 1988 examination by the Federal Home Loan Bank Board to be a whitewash. [redacted] recalls a [redacted] (phonetic) of the Chicago District showed particular disgust in his testimony before the Congressional Banking Subcommittee and advised that he kept notes concerning irregularities associated with the examination.

58C-PX-41605-47

51  
o/



fy

b6  
b7c

## FEDERAL BUREAU OF INVESTIGATION

- 1 -

Date of transcription 3/21/90

[redacted] Office of Thrift Supervision, 580 California Street, San Francisco, California 94104, [redacted] was contacted at his place of employment. After being advised of the identity of the interviewing agents and the official nature of the interview, [redacted] voluntarily provided the following information:

b6  
b7C

[redacted] advised his date of birth is [redacted] and his Social Security Number is [redacted]

[redacted] the San Francisco Federal Home Loan Bank Board [redacted] LINCOLN SAVINGS AND LOAN (LSL) ASSOCIATION, Irvine, California. At this time, the Federal Home Loan Bank of San Francisco was divided into the Examination Department and the Supervision Department, both of which reported to the Federal Home Loan Bank of San Francisco [redacted] reported to [redacted] but had an analyst staff consisting of [redacted] General counsel for the Federal Home Loan Bank of San Francisco was [redacted]

When the San Francisco Federal Home Loan Bank began the examination of LSL in March 1986, [redacted] was [redacted] assigned the examination. [redacted] has since retired and is living in the Los Angeles area. [redacted] was also assigned to the LSL examination [redacted] shortly after the beginning of the examination when it was discovered problems occurred within the association. [redacted]

b6  
b7C

[redacted] the Phoenix, Arizona portion of the exam where numerous documents and records of LSL were maintained.

During the months of April through June 1986, [redacted]

Investigation on 3/14/90 at San Francisco, CA File # 58C-PX-41605-47

by SA [redacted] ch [redacted] Date dictated 3/14/90

b6  
b7C

58C-PX-41605

Continuation of FD-302 of \_\_\_\_\_, On 3/14/90, Page 2 b6  
b7C

\_\_\_\_\_ would travel to Irvine, California with \_\_\_\_\_ to review the examiners work papers and discuss the arising problems with the Examiner in Charge. The examination was scheduled to close on July 5, 1986, however, it became apparent San Francisco District was nowhere near closing the examination. It was conveyed to LSL's management the July 5, 1986 would only be an interim meeting whereby the supervisory and examination team would address their findings to date and then continue their examination.

During the July 5, 1986 meeting, \_\_\_\_\_ got on his soap box concerning \_\_\_\_\_ and proceeded to complain about \_\_\_\_\_ policies and the screwed up nature of the industry. \_\_\_\_\_ advised that KEATING controlled the meeting and rolled right over \_\_\_\_\_ not allowing him the opportunity to address the issues and findings to date. The San Francisco District made it clear to LSL management the meeting was not a closing meeting as additional examination was to be conducted. KEATING became irate and began to personally attack \_\_\_\_\_ experience level and made a vague threat against \_\_\_\_\_ indicating he could become the subject of LSL's litigation. \_\_\_\_\_ stated the meeting was not conducive to the examiners addressing their findings to date so the meeting would be terminated, the examination concluded, and then the findings would be addressed with management.

\_\_\_\_\_ advised that the San Francisco District exam personnel utilized examination work programs to perform their examination tasks. These work programs were standardized and ever-changing as indicated by the 1985 Federal Home Loan Bank Board's implementation of new asset classification guidelines dealing with loans and direct investments. The examination of LSL became difficult as the examiners were addressing new issues such as equity securities, junk bonds, and direct investments regulated by the Garn-St. Germaine Act. As these were new issues, no standardized work programs existed for dealing with the issues. Therefore, the San Francisco District looked to outside resources in order to adequately review and analyze their status and impact upon LSL. The San Francisco Federal Home Loan Bank retained the firm of HOULIHAN, LOKEN, HOWARD, AND ZUKIN, INCORPORATED OF LOS ANGELES to review and analyze the junk bond portfolio of LSL. They also retained professors \_\_\_\_\_ from the University of Southern California to analyze the methodology of LSL's investments. The San Francisco law firm of PILLSBURY, MADISON, and SUTRO was retained to assist San Francisco in compiling the necessary documentation for support of a recommended conservatorship/receivership. \_\_\_\_\_ advised that the examiners

58C-PX-41605

Continuation of FD-302 of [REDACTED]

, On 3/14/90, Page 3

b6  
b7c

attempted to conclude their exam as quickly as possible after the July 5, 1986 meeting, however, LSL wanted their counsel to have the opportunity to review everything the examiners reviewed. The Federal Home Loan Bank Board's Office of Enforcement provided assistance to the San Francisco District in July 1986 when they met with LSL and their counsel to insure the continued flow of information to the examiners so the examination could be concluded. San Francisco District's examiners concluded their field work in October 1986 when they felt they had obtained all the information they would be allowed to receive by LSL.

[REDACTED] advised that the San Francisco District communicated regularly with Washington, DC supervision of the Federal Home Loan Bank Board in order to keep them informed of the issues and events surrounding the examination of LSL. San Francisco District primarily communicated with [REDACTED] (phonetic) [REDACTED]. In October 1986, a statement of supervisory concerns was written by [REDACTED] of PILLSBURY, MADISON, AND SUTRO, and edited by [REDACTED] addressing concerns disclosed by the 1986 examination. In October and November 1986, [REDACTED] conveyed concerns to [REDACTED] regarding the manner in which LSL was being operated. [REDACTED] wanted San Francisco to issue a directives letter addressing unsafe and unsound practices at LSL. San Francisco responded to Washington, DC, they believed it would be better to complete the documentation of their examination to support the recommended action of a conservatorship. [REDACTED] added that San Francisco fully expected litigation from LSL and they wanted to insure their documentation was in order prior to taking on the anticipated litigation. For this reason, the San Francisco District hired PILLSBURY, MADISON AND SUTRO to make sure their supporting documentation adequately supported their recommendation of conservatorship. Although San Francisco believed they had compiled substantial information concerning LSL's activities, they also realized they were never going to obtain everything they wanted or needed due to the legal and administrative roadblocks LSL's legal counsel continually inflicted upon them.

b6  
b7c

[REDACTED] advised that the issue a vendetta had developed between [REDACTED] and LSL was always a mystery to [REDACTED]. [REDACTED] advised San Francisco was required to respond to an inquiry by [REDACTED] in late 1986 concerning why the examination was taking so long. [REDACTED] responded to [REDACTED] by memorandum addressing the roadblocks initiated by LSL's legal counsel as well as the timeliness created by additional real estate appraisals, junk bond analysis and review, equity securities analysis, and real estate analysis.

b6  
b7c

58C-PX-41605

Continuation of FD-302 of [REDACTED], On 3/14/90, Page 4

b6  
b7C

[REDACTED] was providing LSL management with memorandums and notifications of the 1986 examination findings throughout the entire examination process. These memorandums addressed issues which management was encouraged to respond to in order to possibly resolve the matters. By late November or early December 1986, San Francisco was prepared to conduct a final closing meeting with LSL. The closing meeting was attended by one LSL employee, [REDACTED] sat through the meeting without any comments and approximately two weeks after the conclusion of the meeting, LSL came back to the San Francisco District requesting another meeting as their management team was unable to attend the previous closing meeting. San Francisco scheduled another meeting for January 1987 wherein they presented all their examination findings and issues. The LSL management team was accompanied by outside legal counsel from KAYE SCHOLER of New York, New York and San Francisco District requested a response from LSL concerning the asset classifications addressed.

Field work for the 1986 examination from LSL initiated on March 13, 1986 and concluded on October 16, 1986. The examination report was written by [REDACTED] assistance from their examiners and outside consultants. [REDACTED] was responsible for the overall report with assistance from [REDACTED]. The report would then be submitted to [REDACTED] who would review all the work papers supporting the report and determine whether critical areas needed to be addressed in greater detail. [REDACTED] had the final say concerning what constituted a major issue and how it was to be addressed in the examination report. Upon [REDACTED] approval, the report would be forwarded to the San Francisco District office for final analysis and edification by [REDACTED] and [REDACTED]. The final report was concluded on April 20, 1987.

b6  
b7C

The recommendation for conservatorship/receivership with an alternate proposal of a Cease and Desist Order was concluded and forwarded to Washington, DC on May 1, 1987. The recommendation initiated with [REDACTED] and his assistants and was discussed at length with [REDACTED].

b6  
b7C

[REDACTED] advised that each of these individuals must approve of the recommendation and sign off on the document before it can be submitted to Washington, DC for action. The recommendation was written by [REDACTED] and his [REDACTED] with considerable input from the law firm of PILLSBURY, MADISON AND SUTRO. [REDACTED] added that he believes this recommendation to be the best piece of work produced by the San Francisco District, where no previous recommendations had ever been questioned by the Washington, DC supervision. Furthermore, the San Francisco District had

58C-PX-41605

Continuation of FD-302 of \_\_\_\_\_, On 3/14/90, Page 5

b6  
b7C

instituted over 30 requests for conservatorship/receivership without a single failure.

When San Francisco District forwarded their recommendation to Washington, DC, the Washington, DC supervision knew the recommendation was coming and were familiar with all the issues. \_\_\_\_\_ advised the organizational structure of Washington, DC was changing at the time as \_\_\_\_\_ Office of Regulator Policy, Oversight and Supervision (ORPOS) \_\_\_\_\_ was being replaced by \_\_\_\_\_

\_\_\_\_\_ believes this change in organizational structure impacted upon how the Washington, DC personnel acted, as \_\_\_\_\_ did not want to deal with the issue of LSL in his last month of office. Rumors existed throughout the Federal Home Loan Bank Board that no action would be taken \_\_\_\_\_

\_\_\_\_\_ wrote a memorandum dated July 23, 1987 to the Federal Home Loan Bank Board supporting conservatorship for LSL as the San Francisco District had recommended. However, \_\_\_\_\_ was not aware that such a memorandum had been executed by \_\_\_\_\_ ever seen the document. \_\_\_\_\_ does not know what became of \_\_\_\_\_ recommendation, nor did \_\_\_\_\_ ever converse with \_\_\_\_\_ concerning his recommendation.

b6  
b7C

When \_\_\_\_\_ replaced \_\_\_\_\_ on July 31, 1987, \_\_\_\_\_ requested a review of the San Francisco District's recommendations and 1986 examination report be conducted by \_\_\_\_\_ and report their opinion to \_\_\_\_\_. Upon the conclusion of their review, \_\_\_\_\_ agreed with 90-95% of the recommendations set forth by the San Francisco District.

At this time, San Francisco District did not believe that the Washington, DC supervision would place an association into conservatorship when the association was not insolvent, despite questionable leniency provided LSL in respect to proposed reserves involving the Phoenician Resort's losses. Therefore, San Francisco proposed an alternative action of cease and desist orders.

\_\_\_\_\_ advised that Washington, DC supervision never came to the San Francisco District and asked for additional information on a given issue to satisfy their criteria for conservatorship. San Francisco District had also been engaged in disagreements with the Washington, DC supervision concerning what

b6  
b7C



58C-PX-41605

Continuation of FD-302 of [redacted], On 3/14/90, Page 6

b6  
b7C

is required in order to support a conservatorship/receivership or a cease and desist order. [redacted] advised that this was not a problem unique to the San Francisco District as other districts supposedly experienced the same problems. [redacted] added that Washington, DC's enforcement would traditionally "take a long time, all the time".

San Francisco District could have issued a directive letter to LSL setting forth significant issues, however, the directive letter would not be enforceable to LSL. San Francisco District did not believe this would be productive so they prepared for conservatorship/receivership and alternatively cease and desist orders. Directives were presented to LSL within the examination report addressing income adjustments and appraisal reserves, but enforceability was not strong and management was not usually responsive to the directives. San Francisco District could have attempted to sit down with LSL and hammer out a supervisory agreement also, however, San Francisco did not feel this would be productive as LSL's Board of Directors rejected a proposal by the San Francisco District to address their concerns of unsafe and unsound management practices.

In September 1987, the San Francisco District planned to conduct a limited scope field visit of LSL and forwarded a letter to LSL's management setting forth those issues to be reviewed. The scope of the field visit was limited to LSL's rebuttal responses to the examination report completed March 20, 1987. [redacted] was told by [redacted] the field visit was not to occur as planned and [redacted] believed San Francisco was notified of their cancelled field visit by [redacted]

b6  
b7C

In November or December 1987, an Office of Enforcement attorney, [redacted] (phonetic), came to San Francisco to work on a cease and desist order with [redacted]. The cease and desist order was drafted, however, action was postponed by the San Francisco District and Washington, DC in order to provide LSL's [redacted] an opportunity to place the institution's management upon more traditional and solid ground. After [redacted] met with the San Francisco District, it was realized [redacted] purported efforts were a ruse when he resigned from LSL.

[redacted] advised that although San Francisco District made the recommendation for conservatorship/receivership or Cease and Desist Order, Washington, DC had to act upon their recommendations. [redacted] was not knowledgeable of specific instances wherein San Francisco District or Washington, DC personnel were apparently influenced by LSL to affect recommended

58C-PX-41605

Continuation of FD-302 of [REDACTED], On 3/14/90, Page 7

b6  
b7C

regulatory action. [REDACTED] advised that he had no contact with [REDACTED] the other examiners involved in the 1988 examination of LSL as San Francisco District was completely out of the supervision over LSL. [REDACTED] was not aware of any attempt to influence examiners involved in the 1988 examination of LSL. Furthermore, [REDACTED] last dealing with LSL occurred in May 1988 when jurisdiction over LSL was removed from San Francisco.

58C PX -41605 48

91

f.

for

## FEDERAL BUREAU OF INVESTIGATION

- 1 -

Date of transcription 3/23/90

[redacted] Office of Thrift Supervision (OTS), 580 California Street, San Francisco, California 94104, [redacted] was contacted at her place of employment. After being advised of the identity of the interviewing agents and the official nature of the interview, [redacted] voluntarily provided the following information:

b6  
b7c

[redacted] advised her date of birth is [redacted] and her Social Security Account Number is [redacted]

[redacted] has been employed with the Federal Home Loan Bank of San Francisco since [redacted]. She was assigned [redacted] to the Lincoln Savings and Loan (LSL) case on [redacted] worked with [redacted] and reported to [redacted]

[redacted] was responsible for the monthly monitoring of LSL, which included the review of their Thrift Financial Report, Securities and Exchange Commission filings, Junk Bond Reports, internal reports, and day-to-day contact with accountants conducting the institution's examination and the legal staff reviewing issues disclosed. [redacted] reviewed all examination findings in order to advise [redacted] and Washington supervision of the situation at LSL. [redacted] primary contact with Washington, [redacted]

b6  
b7c

[redacted] would receive examination information from the LSL Examination [redacted] as well as the California Savings and Loan Association examiners and disseminate the information to Washington, DC supervision in order to keep them abreast of the issues so timely enforcement action could be pursued upon the completion of the examination. [redacted] advised that [redacted] was very receptive to the information provided by the San Francisco District and was cognizant of San Francisco's desire to seek a conservatorship/receivership with an alternative enforcement action of a cease and desist order. [redacted] and San Francisco had repeatedly conveyed this position to [redacted] who appeared to be supportive of San Francisco's

Investigation on 3/14/90 at San Francisco, CA File # 58C-PX-41605-48

by SA [redacted] Date dictated 3/15/90

b6  
b7c

58C-PX-41605

Continuation of FD-302 of [REDACTED], On 3/14/90, Page 2

b6  
b7C

position and even vocalized his support on various occasions, including his testimony before the Congressional Subcommittee on Banking.

The recommendation for conservatorship/receivership with an alternative backup of a cease and desist order was drafted by [REDACTED] San Francisco Counsel [REDACTED] of the law firm PILLSBURY, MADISON, AND SUTRO. [REDACTED] advised that experienced outside counsel was retained to insure sufficient legal justification and current evidence was present in order to support the enforcement action recommended by the San Francisco District. Furthermore, the San Francisco District was specifically following [REDACTED] recommendation concerning the documentation of sufficient legal justification to support action on the basis of unsafe and unsound practices at LSL. [REDACTED] recommendations and concerns were conveyed to the San Francisco District through [REDACTED] (phonetic) and were usually general in nature but addressed the issue of documenting sufficient evidence. [REDACTED] was also in continual contact with [REDACTED] of the law firm PILLSBURY, MADISON, [REDACTED] to insure sufficient legal justification for San Francisco's recommended action.

[REDACTED] advised the San Francisco District sent voluminous amounts of information supporting all aspects of their concerns with LSL so Washington, DC supervision had sufficient evidence to pursue whatever avenue they desired in seeking enforcement against LSL. San Francisco always forwarded newly received and updated data to Washington, DC to keep them abreast of their findings, however, San Francisco did not always receive feedback from Washington, DC concerning their examination findings and concerns. On one occasion, San Francisco even requested of [REDACTED] to allow them to go back into LSL in 1987 to accumulate additional current documentation to replace evidence which may have become stale. However, San Francisco was denied the opportunity to conduct additional examination procedures by Washington, DC supervision.

b6  
b7C

By March 1, 1987, when [REDACTED] was assigned to the LSL matter, the examination team was out of LSL and the examination report was being completed. Upon the examination report's completion in April 1987, [REDACTED] conducted extensive reviews of the examination report and prepared a supervisory cover letter which was forwarded to LSL with the examination report around May or June 1987. In July 1987, LSL responded to the examination report findings in an effort to

58C-PX-41605

Continuation of FD-302 of \_\_\_\_\_, On 3/14/90, Page 3

b6  
b7C

refute San Francisco District's position on apparent violations. [ ] advised LSL attempted to refute every single issue within the examination report and their response was comprised of 15-20 volumes making it the most voluminous response to an examination report in the history of the Federal Home Loan Bank.

Upon receipt of LSL's response, San Francisco was responsible for reviewing the entire response for merit. [ ] advised it was Washington, DC supervision's opinion they should not institute any enforcement action until the LSL rebuttal was reviewed in its entirety and San Francisco's information updated from the data provided within LSL's response. Furthermore, Washington, DC supervision believed that should the Federal Home Loan Bank Board take action without the benefit of reviewing LSL's rebuttal to the examination findings, the Federal Home Loan Bank Board could end up in court without the benefit of LSL's defense position as represented within their rebuttal to the 1986 examination.

[ ] assisted in the review of LSL's response as it addressed operational issues. However, the firm of KENNETH LEVENTHAL, Certified Public Accountants, was retained to review accounting violations while the law firm of PILLSBURY, MADISON AND SUTRO reviewed real estate transactions. The San Francisco District utilized third party experts to prevent any criticism of their review and enable them to conduct the review in a timely manner without exhausting the entire resources of the San Francisco District. [ ] remained in close contact with [ ] concerning LSL's status. During this time period, [ ] believed that [ ] supported San Francisco's position and conveyed their support to [ ] office. However, [ ] was not aware of the memorandum of [ ] Office of Regulatory Policy, Oversight and Supervision (ORPOS) dated July 23, 1987 recommending conservatorship/receivership for LSL as recommended by the San Francisco District. [ ] was not aware this memorandum existed until 1989 when [ ] sent a copy of the memorandum to the San Francisco District. In addition to being unaware of the document, [ ] could recall no discussions during the period of July 1987 wherein [ ] recommended conservatorship/receivership to the Federal Home Loan Bank Board as recommended by the San Francisco District. However, [ ] does recall [ ] mentioning the need to brief the Federal Home Loan Bank Board on LSL but later postponed a possibly scheduled meeting until after LSL's response to the examination report could be fully reviewed and analyzed.

b6  
b7C

[ ] recalls allegations concerning the leaking of

58C-PX-41605

Continuation of FD-302 of \_\_\_\_\_, On 3/14/90, Page 4

b6  
b7C

confidential information concerning the LSL examination on the part of San Francisco District personnel around Christmas of 1986. The nature of the allegedly leaked information concerned the San Francisco District's recommendation that a conservator be appointed for LSL. This information apparently surfaced in the Wall Street Journal and resulted in the beginning of a very adversarial relationship with LSL management.

On July 31, 1987, \_\_\_\_\_ replaced \_\_\_\_\_  
\_\_\_\_\_. Upon taking office, \_\_\_\_\_ observed the adversarial situation between the San Francisco District and LSL, as well as the lack of enforcement action by the Office of Enforcement because they apparently felt the data provided by San Francisco District was too stale to act upon. Furthermore, \_\_\_\_\_ was not familiar with the San Francisco District when he took office so it appears he attempted to take a middle ground while he weighed the facts of the situation. \_\_\_\_\_ asked \_\_\_\_\_ of the Washington supervision, as well as \_\_\_\_\_ of the San Francisco District to conduct independent analysis of the 1986 examination report findings with reference to LSL's response to the examination report and present to him their opinion which should be derived independent of each other.

b6  
b7C

San Francisco conducted their analysis and prepared a written response for \_\_\_\_\_ and traveled to Washington, DC for a meeting on October 7, 1987. \_\_\_\_\_ was present in this meeting along with \_\_\_\_\_

b6  
b7C

\_\_\_\_\_ of PILLSBURY, MADISON AND SUTRO, and a Washington, DC attorney from the litigation department of the Federal Home Loan Bank Board. \_\_\_\_\_ had also prepared their report for the meeting, which someone from the San Francisco District obtained a copy of during the meeting. The independent reports were presented to \_\_\_\_\_ and a lengthy discussion followed concerning the examination findings and the rebuttal of LSL. San Francisco District hoped they would return from the meeting with the situation resolved so appropriate action could be instituted as soon as possible.

Upon \_\_\_\_\_ review of the independent reports, he expressed concerns about several different areas and implied the San Francisco District was not objective in their analysis. \_\_\_\_\_ also implied that certain areas of the San Francisco analysis had holes in it due to the apparent lack of objectivity.

\_\_\_\_\_ recalls that the PHOENICIAN HOTEL AND RESORT issue tied up a good portion of the meeting and seemed to stand in the

58C-PX-41605

Continuation of FD-302 of \_\_\_\_\_

, On 3/14/90 , Page 5

b6  
b7C

way of a decision by \_\_\_\_\_. The San Francisco appraisals of the resort contained a huge discrepancy between the appraisal provided by LSL in their examination report response. \_\_\_\_\_ added that the amount of the discrepancy would have rendered LSL insolvent should the San Francisco District's position be fully supported by the Federal Home Loan Bank Board. San Francisco's position was that even without consideration for the PHOENICIAN HOTEL issue, LSL was still insolvent.

For the most part, \_\_\_\_\_ independent report to \_\_\_\_\_ was very close to the San Francisco District's position. \_\_\_\_\_ even recalls \_\_\_\_\_ stating that if LSL is not insolvent at the present time, they will be within five years. \_\_\_\_\_ consented during the meeting that LSL was without a doubt a problem institution requiring corrective action and something needed to be done. However, \_\_\_\_\_ dismissed himself at one point in the meeting and never returned to render any form of decision. Therefore, the meeting was concluded without any issues being resolved.

Several of the meeting's participants from the San Francisco District took notes and upon their return to San Francisco prepared a follow-up letter to \_\_\_\_\_ setting forth their understanding of the meeting. \_\_\_\_\_ assisted \_\_\_\_\_ in preparing this letter and recalls the letter set forth the offer to \_\_\_\_\_ that should he determine additional information is needed to support the recommendation, then San Francisco should be allowed to obtain the information and move forward with whatever action was deemed necessary. The San Francisco District also attached a draft scope memorandum to the letter setting forth what information they would obtain from LSL should San Francisco District be allowed to go back to LSL and conduct a limited examination. The San Francisco District received no response from Washington, DC as a result of this letter. The San Francisco District later discovered \_\_\_\_\_ was in possession of the "secret file" provided by CHARLES H. KEATING, JR., which alluded to purportedly embarrassing information to the San Francisco District concerning leaks to the media of confidential information.

b6  
b7Cb6  
b7C

Approximately two to three weeks after the October 7, 1987 meeting in Washington, DC, \_\_\_\_\_ had a conference telephone call with LSL/AMERICAN CONTINENTAL CORPORATION (ACC) counsel, \_\_\_\_\_ to advise him the San Francisco District would be conducting a limited scope field visit to LSL in the near future. \_\_\_\_\_ advised LSL had already met with a Washington, DC Federal Home Loan Bank Board and believed the situation had been resolved and LSL was on the road to putting



58C-PX-41605

Continuation of FD-302 of \_\_\_\_\_, On 3/14/90, Page 6

b6  
b7C

together an agreement of some kind. \_\_\_\_\_ also advised \_\_\_\_\_ and \_\_\_\_\_ the San Francisco District examiners would need a court order to get into LSL for another examination. \_\_\_\_\_ were "floored" by \_\_\_\_\_ statements and were equally surprised to find the Washington, DC Federal Home Loan Bank Board had met with LSL officials on October 21, 1987 without consulting the San Francisco District.

About this same time, \_\_\_\_\_ travelled to San Francisco to draft a cease and desist order for enforcement against LSL. During the process, a big battle occurred between the San Francisco District and \_\_\_\_\_ regarding what should be included in the cease and desist order. The San Francisco District believed Washington, DC was watering down the cease and desist order and moving away from issues previously agreed upon. \_\_\_\_\_ recalls that \_\_\_\_\_ ran the meeting while \_\_\_\_\_ remained quiet during the majority of the meeting. The San Francisco District personnel could not figure out where \_\_\_\_\_ was coming from until they later discovered \_\_\_\_\_ was in possession of a draft Memorandum of Understanding (MOU) provided by LSL during the meeting of October 21, 1987 between LSL personnel and Washington, DC supervision. It was discovered \_\_\_\_\_ was working upon a mutually agreeable variation of the MOU at the same time he was in San Francisco to draft a cease and desist order.

b6  
b7C

\_\_\_\_\_ advised that the cease and desist order effort did not come to fruition as the San Francisco District and Washington, DC supervision agreed to provide LSL with an opportunity to allow their new President, \_\_\_\_\_ an opportunity to move the institution away from its current risk-based operations to a more traditional method.

b6  
b7C

\_\_\_\_\_ advised she did not attend the May 1987 meeting in Washington, DC wherein San Francisco District personnel, Washington, DC supervision, Federal Home Loan Bank Board general counsel, and Office of Enforcement personnel, including \_\_\_\_\_ discussed the 1986 examination findings of LSL. GAWET does not believe \_\_\_\_\_ statements indicating the San Francisco District did not protest Washington, DC's opinion that the 1986 examination did not provide adequate legal basis or sufficient evidentiary data to support the conservatorship/receivership action proposed by San Francisco District. \_\_\_\_\_ does not believe this statement to be accurate as \_\_\_\_\_ would have never backed down on the basis San Francisco had insufficient documentation to support their recommendation. Furthermore, the San Francisco District had specifically taken additional care and measure to insure they had

58C-PX-41605

Continuation of FD-302 of \_\_\_\_\_, On 3/14/90, Page 7

b6  
b7C

more than adequate basis to support their position that LSL was being operated in an unsafe and unsound manner. [ ] believed this issue was more than adequately documented based on the issues of direct investment violations, loan file stuffing, and direct investment back dating to meet the grandfather clause pertaining to direct investments.

[ ] believed the San Francisco District began losing control of their supervision over LSL around July 1987 when [ ] asked [ ] to prepare an independent review and analysis of San Francisco District's concerning the 1986 examination report and LSL's response to the report. [ ] belief is further supported by the lack of action by Washington, DC upon San Francisco District's recommendation for conservatorship/receivership or an alternative cease and desist order. It came as further surprise to the San Francisco District when they were preparing to conduct additional examination procedures at LSL only to be informed by [ ] of LSL/ACC the examination would not take place. [ ] recalls that she and [ ] were informed the LSL examination would not take place by [ ]

In November 1987 when [ ] travelled to San Francisco with [ ] to draft a cease and desist order for LSL, [ ] already had a draft MOU submitted by LSL. However, San Francisco District did not find out about the memorandum until about a month later. San Francisco learned this MOU was provided to Washington, DC during the October 21, 1987 meeting of LSL personnel and members of ORPOS and Office of General Counsel. [ ] advised that [ ] attended the meeting and possibly [ ] LSL's presentation at the meeting included statements including San Francisco's vendetta against LSL, the incompetency of the examination personnel, and laudatory remarks indicating LSL to be a well-run institution, wherein numerous attorneys and accountants lent credibility to their operations. When LSL discussed or submitted the MOU to Washington, DC during the meeting, they refused to negotiate the issue with the San Francisco District.

b6  
b7C

Very little dialogue occurred between San Francisco District and Washington, DC supervision in early 1988 and San Francisco was very concerned about their legal liabilities associated with LSL. In February or March 1988, San Francisco was informed by Washington, DC a MOU was being negotiated with LSL. When [ ] discovered this, he forwarded an electronic mail message to Washington, DC asking [ ] for information concerning the conditions of the negotiated agreement. Washington, DC supervision never responded to [ ] request

b6  
b7C

58C-PX-41605

Continuation of FD-302 of \_\_\_\_\_, On 3/14/90, Page 8b6  
b7C

until after the formal agreement was signed. [ ] believes that San Francisco District was relieved of their supervisory jurisdiction over LSL around March 1988 as San Francisco District was not consulted at all concerning the contents or conditions of the Supervisory Agreement/MOU. When the Supervisory Agreement/MOU was executed on May 20, 1988, San Francisco was formally removed as the supervisory agency of LSL. [ ] added that [ ] [ ] tried very hard to determine from [ ] why San Francisco was being cut out of this process.

[ ] advised she never received any pressure to influence her objectivity concerning LSL. In January or February 1988, [ ] was party to a conference call with bank board member, [ ], who was trying to give San Francisco an idea of what was happening at the bank board level and also attempting to gather information concerning LSL status.

## FEDERAL BUREAU OF INVESTIGATION

- 1 -

Date of transcription 3/27/90

[redacted]  
[redacted] Office of Thrift Supervision (OTS), 580 California Street, San Francisco, California 94101, mailing address P.O. Box 7165, San Francisco, California 94120, residence [redacted] San Anselmo, California 94960, [redacted] provided the following information:

[redacted] said that he, in 1986, was Vice-President of the San Francisco Home Loan Bank and acted as a Supervisory Agent. As such, he was responsible for oversight of savings and loan institutions in the 11th District. Supervisory agents also reported to [redacted] described his position in 1986 as the number three man in the Supervisory Department of the Federal Home Loan Bank-San Francisco. (1) Jy

[redacted] said that he first learned of LINCOLN SAVINGS AND LOAN ASSOCIATION (LSL) in 1984 after it was acquired by AMERICAN CONTINENTAL CORPORATION (ACC) of Phoenix, Arizona. The operation of LSL changed from that of a traditional thrift, making home loans, to investment in high-risk transactions. [redacted] specifically alluded to the Gulf Broadcast purchase that initially brought his attention to LSL and its management.

In mid- to late-1984 [redacted] attended a meeting at the California Department of Savings and Loan (CDSL) in San Francisco, California. At this meeting, ACC presented their business plan which did not remotely resemble the promised operation of LSL. LSL, at this meeting, was requested to furnish a new business plan due to the fact their present risk profile was different than promised. At this meeting were [redacted] who was the California commissioner of savings and loans, [redacted] and other LSL representatives. [redacted] said also the activities of LSL were brought to his attention through the review of Significant Supervisory Concerns, a report which is written by supervisory agents involved in the examination of institutions. This report also pointed to problem areas that related to the operation of LSL.

Investigation on 3/14/90 at San Francisco, Ca File # 58C-PX-41605-49  
by SA [redacted] rh Date dictated 3/26/90

58C-PX-41605-49

ef

ef



jay

b6  
b7c

58C-PX-41605

Continuation of FD-302 of \_\_\_\_\_, On 3/14/90, Page 2

b6  
b7C

\_\_\_\_\_ said that in February 1985, LSL wanted to increase direct investments from its present 40% and asked for an exemption. \_\_\_\_\_ said the standard in the industry at that time was 10%. LSL submitted a request to exceed the limit allowed and as a result a meeting occurred that was attended by CHARLES KEATING and key management personnel of the San Francisco Federal Home Loan Bank. During this meeting, \_\_\_\_\_ recalls KEATING saying, "I hate to admit a mistake to a regulator, but money in junk bonds is wrong, but we're going to get out." \_\_\_\_\_ said the request on the part of LSL to increase their direct investment limit was denied and LSL appealed to the Federal Home Loan Bank Board in Washington, DC. The bank board also denied the LSL request.

\_\_\_\_\_ said at the initial meeting with KEATING in February 1985 when there was discussion concerning direct investment, KEATING had the lead in the meeting, but was civil to the regulators.

b6  
b7C

\_\_\_\_\_ said that the next meeting he attended with CHARLES KEATING was in December 1986 and this meeting was also held in San Francisco. The attendees were \_\_\_\_\_ KEATING, LINDA ROBINSON of LSL, and LSL Attorney \_\_\_\_\_. The purpose of this meeting was to discuss payment of dividends from LSL to ACC. The 11th District decision was to not allow dividends to be paid to ACC from LSL.

\_\_\_\_\_ said that in March 1986 a routine examination was initiated of LSL. \_\_\_\_\_ said that this examination was a full scope examination, however, it was initiated because of the acquisition of LSL by ACC. Early on in the examination, major problems were discovered in loan underwritings. \_\_\_\_\_ said 52 of 55 loans that were examined were found to be deficient.

b6  
b7C

\_\_\_\_\_ of the Federal Home Loan Bank in San Francisco was ordered to go to LSL to inform them of the problems discovered. \_\_\_\_\_ was to provide an oral briefing to the management of LSL so that they could address the problems. \_\_\_\_\_ from Irvine, California where LSL is located and said that CHARLES KEATING had threatened to sue him \_\_\_\_\_ personally and had become confrontational and would not give \_\_\_\_\_ a chance to explain the initial findings. \_\_\_\_\_ said that LSL from the beginning of the examination had been difficult and uncooperative. \_\_\_\_\_ said that one additional Examiner in Charge in Phoenix and one in Irvine, California were added to the examination. In Phoenix was \_\_\_\_\_ was added in Irvine.

\_\_\_\_\_ said that from the inception of the March 1986

58C-PX-41605

Continuation of FD-302 of [REDACTED]

, On 3/14/90, Page 3

b6  
b7C

exam, dialogue was established between personnel of the San Francisco District and the Federal Home Loan Bank Board in Washington, DC. [REDACTED] said that he specifically talked with [REDACTED] who was [REDACTED] Office of Regional Affairs, San Francisco was one of three district banks for which he had oversight responsibility. [REDACTED] said that all of the documents generated by San Francisco would have been sent to [REDACTED] [REDACTED] suggested that the exam should proceed faster in view of the fact that the lending policies of LSL appeared to be unsafe and unsound. [REDACTED] wanted the exam done quickly so that enforcement could be implemented. [REDACTED] said that [REDACTED] wanted directives to apply to single issues, however, San Francisco decided to proceed more cautiously and complete the exam so that the total problem at LSL could be addressed. [REDACTED] said, in fact, he informed [REDACTED] that the San Francisco position was to move in the direction of receivership of LSL.

[REDACTED] said, in fact, [REDACTED] for the San Francisco District and [REDACTED] for the 11th District, flew to Washington in July 1986 to brief the Federal Home Loan Bank Board on the exam and the position taken by the 11th District. [REDACTED] said he does not know with whom [REDACTED] met in Washington, DC. [REDACTED] said he did know, in fact, that this briefing related to the effort on the part of examiners to conduct an examination of LSL. [REDACTED] said that there was an apparent agreement, that documents requested by examiners would be reviewed prior to release by LSL counsel on-site and not through the New York law firm of LSL. [REDACTED] characterized this compromise as being struck by [REDACTED] of the Federal Home Loan Bank Board.

b6  
b7C

[REDACTED] said that the examination lasted from March 1986 until October 1987 and during this time he [REDACTED] [REDACTED] and [REDACTED] would travel to Washington, DC to brief [REDACTED] who was a deputy of [REDACTED] and [REDACTED] regarding the examination of LSL and the findings. [REDACTED] said the early meetings in Washington, DC concerned the magnitude of the problems that were being found and that enforcement action would be necessary. Initial enforcement action that was considered were cease and desist orders and later, because of the magnitude of the problem, there was a movement towards receivership of LSL.

b6  
b7C

[REDACTED] said that from 1984 to 1986 thirty-two savings and loan institutions were placed into receivership or conservatorship in the 11th District without challenge from the Federal Home Loan Bank Board. LSL was the first institution which

58C-PX-41605

Continuation of FD-302 of \_\_\_\_\_, On 3/14/90, Page 4

b6  
b7C

was challenged by the Federal Home Loan Bank Board. \_\_\_\_\_ characterized the examination of LSL as the best he has witnessed, yet the 11th District findings were challenged and ultimately supervisory authority was transferred from San Francisco.

\_\_\_\_\_ said that in December 1986 or January 1987 the \_\_\_\_\_ Federal Home Loan Bank Board of San Francisco, convened a meeting with his staff and at this time it was determined that enforcement action was not enough and that insurance action, receivership or conservatorship should be applied to LSL. This information was later relayed to the Federal Home Loan Bank Board in Washington, DC. \_\_\_\_\_ said the actual recommendation was sent to the Federal Home Loan Bank Board on May 1, 1987. The recommendation which was for receivership or conservatorship was challenged by the Federal Home Loan Bank Board. \_\_\_\_\_ were appointed to review the San Francisco findings. \_\_\_\_\_ said that after their verification of the San Francisco findings, they agreed with approximately 95% of the San Francisco findings. \_\_\_\_\_ said the only area of disagreement with was the appraisal of the PHOENICIAN HOTEL.

\_\_\_\_\_ said that on October 7, 1987 there was a meeting in Washington, DC which he attended as well as \_\_\_\_\_ of the San Francisco District. \_\_\_\_\_ and two female attorneys from litigation and the Office of Enforcement were also present. \_\_\_\_\_ could not remember the identities of these two females. \_\_\_\_\_ said, however, during this meeting \_\_\_\_\_ reported that they supported 95% of the San Francisco findings. The purpose of this meeting was to allow San Francisco the opportunity to defend its position. \_\_\_\_\_ said he was aware that San Francisco's findings were challenged before this meeting, however, he could not recall by whom or when he learned that the findings were being challenged and accordingly reviewed by \_\_\_\_\_ said he was the San Francisco official who made the presentation at this meeting. \_\_\_\_\_ excused himself from the meeting and never returned. \_\_\_\_\_ said nothing of a decisive nature came from this meeting with \_\_\_\_\_

b6  
b7C

\_\_\_\_\_ said he is aware that \_\_\_\_\_ had prepared a memo dated July 23, 1987 for submission to the Federal Home Loan Bank Board which supported the San Francisco position regarding the receivership of LSL. \_\_\_\_\_ prepared this memo which was signed by \_\_\_\_\_

\_\_\_\_\_ said after the October 1987 meeting with



58C-PX-41605

Continuation of FD-302 of \_\_\_\_\_, On 3/14/90, Page 5b6  
b7C

\_\_\_\_\_ the San Francisco District was informed that the March 1986 examination had become stale and the information specifically relating to the loans were classified as stale. \_\_\_\_\_ cannot recall by whom or the date he was informed of this fact.

\_\_\_\_\_ said during this time (October 1987) the California Department of Savings and Loan had independently conducted an examination of LSL and found more problems. \_\_\_\_\_ said as a result, San Francisco recommended to the Federal Home Loan Bank Board that a "field visit" be conducted of LSL. \_\_\_\_\_ in fact, called LSL counsel, \_\_\_\_\_ on August 28, 1987 to inform him that the "field visit" was to occur. \_\_\_\_\_ characterized this call as a courtesy call to LSL.

\_\_\_\_\_ said that during this August 1987 telephone call to \_\_\_\_\_ he informed him of certain areas to be covered, in fact, the examination was to be of limited scope. The field visit also was a response to the rebuttal on the part of LSL to the March 1986 exam findings. \_\_\_\_\_ said by this time several hundred pages of response to every finding on the part of the 11th District had been supplied by LSL. \_\_\_\_\_ said this was the first time in his career than an institution disagreed with every single finding on the part of the examiners. \_\_\_\_\_ said \_\_\_\_\_ told him his examiners could not examine LSL and "it will take a court order and we won't let \_\_\_\_\_ in this institution". \_\_\_\_\_ (a real estate CPA accounting firm) had stolen some proprietary interests relating to real estate analysis developed by LSL.

b6  
b7C

\_\_\_\_\_ said in addition to the telephone call on August 28, 1987 to \_\_\_\_\_ he also sent a letter dated August 31, 1987 to LSL regarding the limited scope field visit to the institution.

\_\_\_\_\_ said on September 2, 1987, representatives of LSL met with the Federal Home Loan Bank Board Executive Committee which included \_\_\_\_\_. The result was that no field visit was to be conducted by the San Francisco examiners. This information was relayed to \_\_\_\_\_ on September 3, 1987 by \_\_\_\_\_. \_\_\_\_\_ said that from this time forward, the 11th District effectively was removed from supervisory authority of LSL. \_\_\_\_\_ said this removal became official in May 1988 with the signing of a Memorandum of Understanding (MOU) between LSL and the Federal Home Loan Bank Board.

b6  
b7C

\_\_\_\_\_ said on September 24, 1987 the Office of Regulatory Policy Oversight and Supervision (ORPOS) of the Federal Home Loan Bank Board directed that an independent review of the San Francisco findings be conducted. \_\_\_\_\_ said that as

58C-PX-41605

Continuation of FD-302 of [REDACTED]

, On 3/14/90, Page 6

b6  
b7C

[REDACTED] previously mentioned to [REDACTED] were given this assignment and their findings agreed with 95% of the San Francisco findings. [REDACTED] said that this review was presented to [REDACTED] in the October 1987 meeting.

[REDACTED] said from this time forward, the focus of the Federal Home Loan Bank Board in Washington, DC ranged from receivership to enforcement and the issuance of a cease and desist order covering all of the deficient areas of LSL. [REDACTED] said ORPOS had now been changed to the Office of Regulatory Activities (ORA). ORA sent its representative to San Francisco, [REDACTED] to work on the details concerning the cease and desist order. [REDACTED] and [REDACTED] worked out the details which were taken back to Washington, DC.

[REDACTED] said LSL sent in a draft MOU on November 5, 1987 which included language removing the San Francisco District from supervision of LSL.

b6  
b7C

[REDACTED] said from this act, it became clear that LSL and "bank board folks" (Federal Home Loan Bank Board officials) were communicating and San Francisco was not being informed of their communications.

[REDACTED] said the MOU was "obscene" and, in effect, removed any supervision on LSL. [REDACTED] said he or the San Francisco had absolutely no input to the development of this MOU. [REDACTED] said an MOU had never been used in the San Francisco District and was normally used for minor problems found by examiners with cooperating management of institutions. [REDACTED] said he could not recall an example when an MOU was used. [REDACTED] said, in fact, the MOU did not restrain LSL, but restrained the "hands" of the bank board. [REDACTED] said, in fact, it set conditions for the bank board and not LSL. [REDACTED] said the so-called "Supervisory Agreement" was basically the same document as the MOU.

[REDACTED] said that the "side letter" that was sent by [REDACTED] was an unknown document until it was discovered in preparation for House Banking Committee testimony. [REDACTED] said the new exam which was initiated in 1988 and another exam in 1989 as a result of the MOU could not be built on the March 1986 exam. [REDACTED] said he is aware that the 11th District sent "scope memos" which identified problem areas for the '88 and '89 exams, however, he is not aware if this "scope memos" were utilized by the examiners. [REDACTED] said he had heard that the 1988 and 1989 exams found significant problems, however, examiners were concerned that their findings would not find their way into

b6  
b7C

58C-PX-41605

Continuation of FD-302 of [REDACTED]

, On 3/14/90, Page 7

b6  
b7C

the final report. [REDACTED] a Chicago examiner, conducted the examination of ACC and found significant problems. He met with [REDACTED] the Chicago District, and told him that the examination of LSL was a "whitewash". As a result, [REDACTED] informed [REDACTED] to keep separate records of his findings. [REDACTED] said that, however, the findings were reported in the final report.

[REDACTED] the Seattle Office, was the individual who gave instructions to the examiners who were selected from all the districts to conduct the 1988 and 1989 examination of LSL. [REDACTED] is presently in Seattle and can be reached at [REDACTED]

[REDACTED] said the San Francisco District was not allowed to have any input into the 1988 and 1989 examinations and was to be conducted independent of any San Francisco examiner.

b6  
b7C

[REDACTED] was the [REDACTED]

[REDACTED] said he learned that [REDACTED] was fired for one day because CHARLES KEATING complained about [REDACTED] who made negative remarks concerning KEATING. [REDACTED] said [REDACTED] is associated with the U.S. Savings and Loan League. [REDACTED] said he understood that due to this fact, KEATING complained that [REDACTED] could not objectively oversee the operation of LSL. [REDACTED] job was apparently saved by [REDACTED]

[REDACTED] said approximately two weeks ago, [REDACTED] affirmed this firing stating that the firing was "fixed in a day" and that he still was involved in the examination of LSL without their knowledge.

[REDACTED] said on December 18, 1987, [REDACTED] informed [REDACTED] that he would become the new President of LSL. [REDACTED] had the reputation as being a traditional S&L operator and as a result LSL would start making home loans again. [REDACTED] said [REDACTED] were also present at this meeting with [REDACTED] specifically said that he would run LSL as a traditional savings and loan institution and that CHARLES KEATING would operate other investments such as junk bonds. When [REDACTED] was specifically asked about risk investments, he said he could only respond to questions concerning home loans. [REDACTED] said KEATING would be involved in the junk bond and direct investments by LSL. [REDACTED] believed the hiring of [REDACTED] was only a smoke screen on the part of KEATING to

b6  
b7C

58C-PX-41605

Continuation of FD-302 of \_\_\_\_\_, On 3/14/90, Page 8

b6  
b7C

further delay enforcement action.

\_\_\_\_\_ said he was aware of the statements made by \_\_\_\_\_ before the House Banking Committee, however, \_\_\_\_\_ said based upon his knowledge and their knowledge of the March 1986 examination (and later exams), he could not rationally explain their testimony.

\_\_\_\_\_ said there was never any vendetta on the part of the 11th District to "get" LSL and there was no "hidden agenda" by the 11th District. \_\_\_\_\_ said there was no "leak" by employees of the 11th District and \_\_\_\_\_ cited the fact that \_\_\_\_\_ would not even tell him, his supervisor, about the meeting with the senators prior to its happening or afterwards.

\_\_\_\_\_ said even though the 11th District had been removed as the supervisory authority, in March 1989 it was learned that \_\_\_\_\_ was attempting to purchase LSL. The 11th District wrote letters to the Federal Home Loan Bank Board identifying this as a "sham transaction". \_\_\_\_\_ said, in fact \_\_\_\_\_ wrote the memo which was later signed by either himself or \_\_\_\_\_

b6  
b7C

\_\_\_\_\_ who is the Director of the Enforcement Review Committee, has a reputation not only within the 11th District but others as not being sufficiently aggressive when it came to enforcement actions. \_\_\_\_\_ had the reputation of only taking action if she thought she could win and appeared to be reluctant to initiate action when she did not feel that she had a perfect case. \_\_\_\_\_ said she, in effect, seemed to be reluctant to "make law". \_\_\_\_\_ asked him to put together a list which \_\_\_\_\_ had not taken appropriate action. \_\_\_\_\_ said his review compiled 18 S&L's where inappropriate action was taken or no action was taken after recommendations had been made by the 11th District. \_\_\_\_\_ said \_\_\_\_\_ of the Atlanta District, \_\_\_\_\_ also had problems with \_\_\_\_\_ that related to the lack of enforcement action. \_\_\_\_\_ seemed to believe that the districts were not her clients and that she represented the Federal Home Loan Bank Board and as a result was not receptive to suggestions from the various bank districts. \_\_\_\_\_ said, as an example, \_\_\_\_\_ often times would have savings and loan institutions sign cease and desist orders without conferring with the 11th District and upon review of the cease and desist orders were found to be deficient. This information was finally brought to the attention of \_\_\_\_\_ and he agreed with those instances brought to his attention. \_\_\_\_\_ is unaware if \_\_\_\_\_ took any action or confronted \_\_\_\_\_ with the problem.

b6  
b7C

58C-PX-41605

Continuation of FD-302 of [REDACTED], On 3/14/90, Page 9

b6  
b7C

[REDACTED] further stated he had heard CHARLES KEATING attempted to have [REDACTED] of the California Savings and Loan Commission removed because of their support for the San Francisco District's examination of LSL.

[REDACTED] during this interview did not have documents for review and as such was unable, in some instances, to fix dates of events. [REDACTED] said, however, he would be able to do so with review of Federal Home Loan Bank Board and Federal Home Loan Bank San Francisco documents.

58C-PX-41605-50

2-7

g



Jeff

b6  
b7c

## FEDERAL BUREAU OF INVESTIGATION

- 1 -

Date of transcription 3/27/90

B. J. DAVIS, Deputy District Director, 11th District, Office of Thrift Supervision (OTS), 580 California Street, San Francisco, California 94104, (415) 393-1814, provided the following information:

DAVIS stated that he has been employed with the Federal Home Loan Bank for 29 years and in 1986, he was the Director of Examinations for the Federal Home Loan Bank of San Francisco, also called the 11th District. (X)

DAVIS said that he had been aware of LINCOLN SAVINGS AND LOAN ASSOCIATION (LSL) for many years because he had examined the institution as an examiner after it was first formed. DAVIS said that the examination of LSL in 1984 was a routine examination because of the change of ownership when AMERICAN CONTINENTAL CORPORATION (ACC) purchased LSL. DAVIS, as the Director of Examinations, reviewed on a period basis, the reports being submitted by the examiners and realized that examination had revealed problems which were significant. DAVIS then called the Examiner in Charge (EIC) to be brought up-to-date rather than wait for the review of examinations.

DAVIS said he first briefed the Federal Home Loan Bank Board in Washington, DC before August 1986. The individuals he briefed concerning LSL were [redacted] His discussion with these individuals concerned the management of LSL and the fact that they appeared to be "stonewalling". [redacted] said, in fact, the management of LSL were less than cooperative from the very beginning of the March 1986 examination. The meeting in Washington related to the fact that the examiners could not get pertinent documents. b6 b7C

DAVIS said that he believes that he attended a meeting in July 1986 in Washington to discuss with representatives from LSL a method to obtain documents. DAVIS said that [redacted] was the attorney who attended the meeting on behalf of LSL. [redacted] said that [redacted] was also present as was himself, [redacted] from the 11th District, [redacted] from the 11th District,

Investigation on 3/14/90 at San Francisco, CA File # 58C-PX-41605-50  
by SA [redacted] and SA [redacted] rh Date dictated 3/26/90 b6 b7C

58C-PX-41605

Continuation of FD-302 of B. J. DAVIS, On 3/14/90, Page 2b6  
b7C

and [ ] and [ ] from the bank board in Washington, DC. DAVIS characterized this meeting as being "heated" and, in fact, [ ] terminated the meeting when he believed that [ ] was using the meeting as a discovery process to learn about the examination. The resulting agreement was that documents would be made available from an attorney that was on-site in Phoenix, Arizona. [ ] said prior to that [ ] attempted to have all documents released through his New York law office.

DAVIS characterized the examination of LSL from the onset as "pulling teeth" and LSL would not cooperate in any facet of the examination. DAVIS said that from the inception of the examination there was a flow of communication, written and oral, between the 11th District and the Federal Home Loan Bank Board in Washington, DC. DAVIS said that he personally talked with [ ] as to what was occurring during exam and the findings from the inception of the exam in March 1986.

DAVIS said that on March 1, 1987 he became the Deputy Director of the Agency Group which, in effect, removed him from the examination and knowledge of the examination of LSL. DAVIS said that from this point on, he was taken out of the "examination loop".

DAVIS said that, however, every Tuesday there was a meeting in [ ] office which is entitled the Significant Events Meeting and during this time there were briefings on what was going on in the 11th District. DAVIS said that it was during this time that he became aware of the continuing problems that were existing with LSL and the continued lack of cooperation on their part during the examination.

b6  
b7C

DAVIS said up until he became Deputy Director of the Agency Group, he reviewed examinations from LSL and believed that the examiners were doing a competent job. DAVIS said he participated in the interim report sent to Washington, DC which highlighted the problems found at LSL. DAVIS said that he was additionally involved in the hiring of outside experts to conduct real estate appraisals, and the review of junk bond transactions. The outside experts were hired because at this time (1984) thrifts had been able to invest directly in real estate ventures and purchase junk bonds. As a result, the Federal Home Loan Bank did not have the necessary expertise to evaluate these types of portfolios. DAVIS said that the Federal Home Loan Bank in San Francisco hired an accounting firm [ ] to conduct real estate appraisals and [ ]



58C-PX-41605

Continuation of FD-302 of B. J. DAVIS, On 3/14/90, Page 3

INCORPORATED, of Los Angeles to review the junk bond portfolio.

DAVIS said that [redacted] in Irvine, California and [redacted] in Phoenix, Arizona. [redacted] in Phoenix and [redacted] in Irvine, California.

b6  
b7C

DAVIS said that during the time that he was director of examinations and reviewed the examination reports, he saw no evidence of any "vendetta" or any "out to get LSL attitude" on behalf of the examiners. DAVIS said that he recalls the hotels purchased and being built by LSL represented the biggest loss that DAVIS had seen in his tenure with the bank in San Francisco. DAVIS also stated that he recalls LSL had only made five to six home loans from the time of acquisition by ACC.

DAVIS said that [redacted] was hired by LSL and believes [redacted] was hired after the March 1986 exam was completed. DAVIS said he recalls [redacted] was hired in October 1987 by LSL. DAVIS said that, in fact, when he realized that LSL was not going to be a routine examination, he hired [redacted] to help [redacted] because [redacted] was not known as an examiner who could handle a "heavy duty exam". DAVIS said that he did not doubt the abilities of [redacted] but it was only a continued effort on his part to make sure that he had the "right horses" to conduct the exam at LSL.

DAVIS said he is aware of [redacted] position and he can find no "explanation for her comments". DAVIS said from the very beginning after they realized how difficult the management of LSL was going to be, the 11th District hired nothing but the best experts to assist the 11th District examiners. DAVIS pointed to the hiring of the law firm, PILLSBURY, MADISON, AND SUTRO (of San Francisco) to assist in preparation of the examination report of LSL. [redacted] is the lead attorney at this law firm handling the LSL matter. DAVIS characterized the examination of LSL as having been more thorough than other exams in its effort to support the actions and recommendations of the San Francisco District. DAVIS said that he examined the Report of Examination and the recommendation drafts that were submitted by San Francisco to the Federal Home Loan Bank Board.

b6  
b7C

DAVIS said he was aware of the intimidation attempts of LSL and specifically stated that [redacted] had been threatened by the management of LSL with a personal lawsuit and refused to hear from him the exam findings. DAVIS reiterated the fact that from the inception of the exam, management at LSL stonewalled and would "get loud" and refuse to supply information requested by the examiners. DAVIS said that he was never

58C-PX-41605

Continuation of FD-302 of B. J. DAVIS, On 3/14/90, Page 4

personally threatened or was not aware of any threats made to the examiners. DAVIS said that his examiners evidenced no vendetta or ill will towards LSL but were "just doing their job".

DAVIS said that he had been an examiner for 13 years, 8 years as Examiner in Charge, 4 years as Field Manager, and 5 years as Assistant Director with the Federal Home Loan Bank in San Francisco. DAVIS said that he is aware of 30-40 receiverships handled by the 11th District and was never challenged on these receiverships. LSL is the first institution where the Federal Home Loan Bank Board in Washington, DC challenged the findings of the 11th District.

FBI

## TRANSMIT VIA:

☐ Teletype  
☐ Facsimile  
☒ AIRTEL

## PRECEDENCE:

☐ Immediate  
☐ Priority  
☐ Routine

## CLASSIFICATION:

☐ TOP SECRET  
☐ SECRET  
☐ CONFIDENTIAL  
☐ UNCLAS E F T O  
☐ UNCLAS

Date 4/2/90

TO : SAC, PHOENIX (58C-PX-41605)  
 FROM : SAC, SPRINGFIELD (58C-PX-41605) (RUC)  
 SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS  
 ALAN CRANSTON, DENNIS D. DE CONCINI,  
 JOHN GLENN, JOHN MC CAIN, DONALD RIEGLE;  
 CHARLES H. KEATING, JR., dba  
 Lincoln Savings And Loan Association  
 Of California (LSL) And American  
 Continental Corporation (ACC),  
 Phoenix, Arizona  
 CORRUPTION OF FEDERAL PUBLIC  
 OFFICIALS - LEGISLATIVE

OO: PX/LA

Re PX airtel to the Bureau, 3/21/90.

Due to the complexity of captioned matter, re airtel is  
 enclosed for the St. Louis Division.

On 3/29/90, it was determined that [redacted] is  
 assigned to, but not physically located at, the Office of THRIFT  
 SUPERVISION, 3 North Old State Capitol Plaza, Springfield,  
 Illinois 62701, telephone [redacted] Contact with [redacted]  
 (LAST NAME UNKNOWN), revealed that [redacted] is currently involved  
 in an examination of GERMANIA BANK, 701 Market Street, Suite 201,  
 Gateway One, The Mall, St. Louis, Missouri, telephone [redacted]

2 - Phoenix (58C-PX-41605)  
 ② - Los Angeles  
 2 - St. Louis (Enc. 1)  
 1 - Springfield (58C-PX-41605)  
 DLB/gab  
 (7)

58C-PX-41605-5

SEARCHED	SERIALIZED	FILED
	wcc	
4 APR 03 1990		
FBI - LOS ANGELES		

- 1 -

Approved: \_\_\_\_\_ Transmitted \_\_\_\_\_ Per \_\_\_\_\_  
 , (Number) (Time)

b6  
b7cb6  
b7c

SI 58C-PX-41605

[redacted] extension [redacted] is expected to be involved in an examination of that bank through mid-April. It was further revealed that TAYLOR resides somewhere in Southern Illinois.

b6  
b7c

Springfield Division check of Indices negative.

LEADS

ST. LOUIS DIVISION

AT ST. LOUIS, MISSOURI

Interview [redacted] re his participation in the July, 1988 examination of LSL and ACC. Enclosed airtel contains background information with specific questions for [redacted] on page four.

1

## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 3/26/90

[redacted]  
[redacted] provided to  
the Federal Bureau of Investigation [redacted]  
[redacted]  
[redacted] were provided in  
response to a Federal Grand Jury subpoena dated February 12,  
1990, in the Central District of California directed to [redacted]  
[redacted] before the Grand  
Jury on March 6, 1990.

b3  
b6  
b7C

GRAND JURY MATERIAL - Disseminate  
Only Pursuant to Rule 6(E),  
Fed. R. Crim. P.

Investigation on 3/13/90 at Los Angeles, California File # 58C-PX-41605 - 52by SA [redacted] /mao Date dictated 3/15/90b6  
b7C

This document contains neither recommendations nor conclusions of the FBI. It is the property of the FBI and is loaned to your agency; it and its contents are not to be distributed outside your agency.

58C-PX-41605-52



Jan

b6  
b7C

1

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 4/13/90

Pursuant to a Federal Grand Jury (FGJ) Subpoena for the  
Central District of California directed to [REDACTED]

b3  
b6  
b7C

[REDACTED] advised that. [REDACTED]

Investigation on 4/6/90 at Huntington Beach, File # 58C-PX-41605 -53

by SA [REDACTED] kbg Date dictated 4/6/90

b6  
b7C

This document contains neither recommendations nor conclusions of the FBI. It is the property of the FBI and is loaned to your agency; it and its contents are not to be distributed outside your agency.

58C-PX 41605-53

01

01



for

b6  
b7C

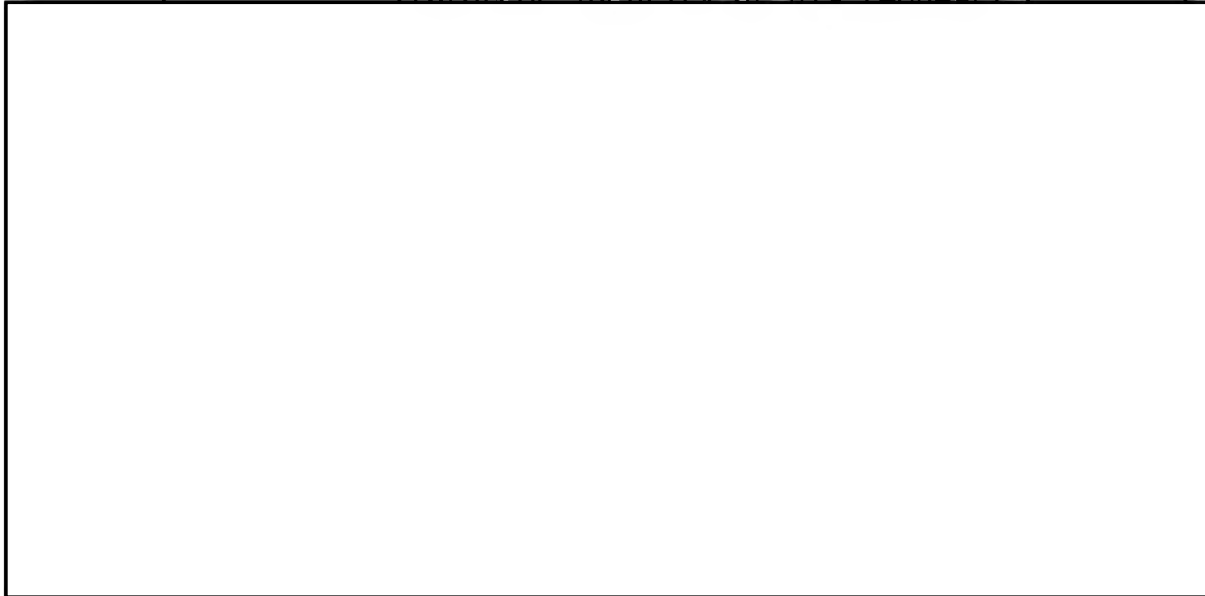


1  
58C-PX-41605  
JAJ:kgb

The following investigation was conducted by  
SA [redacted] on March 16, 1990:

[redacted] (protect identity at his request) [redacted]

b6  
b7C  
b7D



58C-PX-41605- 54  
01 . 01

JAJ

FBI

TRANSMIT VIA:

☐ Teletype  
☐ Facsimile  
☒ AIRTEL

PRECEDENCE:

☐ Immediate  
☐ Priority  
☐ Routine

CLASSIFICATION:

☐ TOP SECRET  
☐ SECRET  
☐ CONFIDENTIAL  
☐ UNCLAS E F T O  
☐ UNCLAS

Date 4/9/90

TO : SAC, PHOENIX (58C-PX-41605)  
FROM : ADIC, NEW YORK (58C-PX-41605) (RUC)  
SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS  
ALAN CRANSTON, DENNIS D. DE CONCINI,  
JOHN GLENN, JOHN MC CAIN, DONALD RIEGLE;  
CHARLES H. KEATING, JR., dba  
LINCOLN SAVINGS AND LOAN ASSOCIATION  
OF CALIFORNIA (LSL) AND AMERICAN  
CONTINENTAL CORPORATION (ACC),  
PHOENIX, ARIZONA;  
CORRUPTION OF FEDERAL PUBLIC  
OFFICIALS-LEGISLATIVE;  
OO: PX/LA

RE Phoenix airtel to Director 3/21/90, NY tel call to  
PX SA [redacted] 4/9/90.

In referenced tel call to SA [redacted] NY was advised that  
leads to interview [redacted] and [redacted] were completed  
by Phoenix and Los Angeles Agents during the week of 3/7/90. New  
York is, therefore, considering this matter RUC.

- 2 - Phoenix
- ② - Los Angeles (SARA)
- 1 - New York

LCM:lcm  
(5)

58C-PX-41605-55

SEARCHED	INDEXED
SERIALIZED	FILED
WCC-4	
APR 13 1990	
FBI - LOS ANGELES	

Approved: \_\_\_\_\_ Transmitted \_\_\_\_\_ Per \_\_\_\_\_  
(Number) (Time)

b6  
b7c

0001 MRI 00034

APR 15 9 39 PM '90

RR RUEHFB FBISC FBILA

DE FBIPX #0001 1060432

TEL OM

ZNR UUUUU

R 160210Z APR 90

FM FBI PHOENIX (58C-PX-41605) (P)

TO DIRECTOR FBI/ROUTINE/

FBI SACRAMENTO/ROUTINE/

FBI LOS ANGELES/ROUTINE/

BT

UNCLAS

CITE: //3630//

PASS: FOR FBIHQ, SSA [REDACTED] PUBLIC CORRUPTION UNIT, WHITE  
COLLAR CRIME SECTION

b6  
b7c

SUBJECT: (ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON,  
DENNIS DE CONCINI, JOHN GLENN, JOHN MC CAIN, DONALD RIEGLE;  
CHARLES H. KEATING, JR., DBA LINCOLN SAVINGS AND LOAN ASSOCIATION  
OF CALIFORNIA (LSL) AND AMERICAN CONTINENTAL CORPORATION (ACC),)  
PHOENIX, ARIZONA; CORRUPTION OF FEDERAL PUBLIC OFFICIALS -  
LEGISLATIVE; OO: PX I.A.

TELETYPE

58C-PX-41605-56

WCC 4 APR 14 1990

[REDACTED]

[REDACTED]

b6  
b7c

PAGE TWO DE FBIPX 0001 UNCLAS

FOR THE INFORMATION OF SACRAMENTO, THIS CASE ARISES FROM A MEETING OF THE FIVE U.S. SENATORS WITH [REDACTED] ON APRIL 2, 1987, AND THEN WITH OFFICIALS FROM THE FEDERAL HOME LOAN BANK OF SAN FRANCISCO, APRIL 9, 1987. INVESTIGATION HAS SHOWN KEATING WAS A MAJOR CONTRIBUTOR TO THE SENATORS AND DURING THE MEETINGS WITH THE FEDERAL HOME LOAN BANK BOARD (FHLBB) [REDACTED] FEDERAL HOME LOAN BANK OF SAN FRANCISCO OFFICIALS, THEY QUESTIONED THESE INDIVIDUALS CONCERNING LINCOLN SAVINGS AND LOAN ASSOCIATION (LSL). [REDACTED] AND THE SAN FRANCISCO BANK OFFICIALS HAVE BEEN INTERVIEWED AND ALL CHARACTERIZE THE CONTACTS BY THE U.S. SENATORS AS UNUSUAL AND INAPPROPRIATE. THE DEPARTMENT OF JUSTICE HAS REQUESTED THE FBI TO INVESTIGATE THIS MATTER.

INVESTIGATION THUS FAR HAS SHOWN THAT THE SENATORS, FROM REVIEW OF DOCUMENTS AVAILABLE TO THE FBI, MET FREQUENTLY WITH KEATING AND SENATORS DE CONCI NI AND CRANSTON AFTER HAVING LEARNED APRIL 9, 1987 THAT A CRIMINAL REFERRAL HAD BEEN MADE REGARDING THE MANAGEMENT AND OPERATION OF LSL. CONTINUED TO CONTACT VARIOUS INDIVIDUALS CONCERNING LSL. THESE CONTACTS NOT ONLY INCLUDE OFFICIALS OF THE FHLBB IN WASHINGTON, D.C., BUT STATE OFFICIALS AS WELL.

ON APRIL 12, 1990, [REDACTED] ADVISED THAT HE

b6  
b7C

b6  
b7C

PAGE THREE DE FBIPX 0001 UNCLAS

LEARNED THAT SENATOR DENNIS DE CONCINI CONTACTED [REDACTED]

b6  
b7c

[REDACTED] TRANSPORTATION AND HOUSING, WHICH OVERSEAS  
THE STATE DEPARTMENT OF SAVINGS AND LOAN IN CALIFORNIA. THIS  
CONTACT WOULD HAVE BEEN IN MARCH TO APRIL OF 1989. AT THIS TIME,  
JOHN ROUSSELOT WAS ATTEMPTING TO PURCHASE LSL. ROUSSELOT WAS  
LATER DETERMINED BY THE FHLBB TO BE A "FRONT MAN" FOR CHARLES  
KEATING. [REDACTED] SAID THAT DE CONCINI TOLD [REDACTED] THAT [REDACTED]

[REDACTED] HAD SAID THAT [REDACTED] WOULD  
BE A PROBLEM WITH THE PROPOSED SALE. SENATOR DE CONCINI FURTHER  
STATED THAT LSL WOULD BE CONVERTED TO A FEDERAL SAVINGS AND LOAN,  
THEREFORE, CALIFORNIA WOULD HAVE NO JURISDICTION. [REDACTED]  
FURTHER STATED IT WAS HIS UNDERSTANDING THAT DE CONCINI EXPRESSED  
CONCERN THAT [REDACTED] WOULD LEAK THIS PROPOSED SALE TO THE PRESS.  
HE SPECIFICALLY REQUESTED THAT [REDACTED] REQUEST [REDACTED] NOT TO  
COMMENT ON THE SALE. [REDACTED] SAID THAT HE RECEIVED THIS  
INFORMATION FROM [REDACTED] HOWEVER, [REDACTED] DID NOT EXPRESS OR  
ISSUE ANY ORDERS TO CRAWFORD CONCERNING HIS ACTIVITIES, PUBLIC OR  
PRIVATE, CONCERNING THIS PROPOSED SALE.

[REDACTED] ALSO STATED THAT HE RECEIVED A TELEPHONE CALL FROM  
[REDACTED]

PAGE FOUR DE FBIPX 0001 UNCLAS

TRANSPORTATION AND HOUSING AFTER [REDACTED] TELEPHONE CALL.

b6  
b7C

[REDACTED] ASKED [REDACTED] SPECIFICALLY WHY THE [REDACTED] SALE WAS

NOT GOOD AND THEN DISCUSSED THE PARTICULARS OF THE SALE IN

DETAIL. [REDACTED] DOES NOT KNOW IF [REDACTED] ALSO RECEIVED A

TELEPHONE CALL FROM SENATOR DE CONCINI OR HAD BEEN BRIEFED BY

[REDACTED] BOTH [REDACTED] AND [REDACTED] HAVE A WORK ADDRESS OF

1120 NORTH N STREET, NUMBER 2101, SACRAMENTO, CALIFORNIA.

GEOGHEGAN'S BUSINESS TELEPHONE NUMBER IS [REDACTED]

SULLIVAN'S TELEPHONE NUMBER IS [REDACTED]

FOR THE INFORMATION OF SACRAMENTO, PHOENIX HAS OBTAINED THE  
AGENDA OF CHARLES KEATING AND REVIEW OF THIS DOCUMENT REVEALS  
THAT KEATING MET WITH [REDACTED] ON FEBRUARY 9, 1988 REGARDING THE  
LSL EXAMINATION. KEATING ALSO MET WITH [REDACTED] ON MAY 3, 1988  
AT 11:00 AND WAS ACCOMPANIED BY [REDACTED]

b6  
b7C

IT SHOULD BE NOTED THAT [REDACTED] ALSO ADVISED THAT [REDACTED]  
HAS PROVIDED AN AFFIDAVIT TO THE U.S. SENATE ETHICS COMMITTEE  
CONCERNING THIS MATTER. [REDACTED] WAS UNCLEAR AS TO WHETHER  
[REDACTED] HAD PROVIDED AN AFFIDAVIT OR THERE WAS A PROPOSED  
INTERVIEW BY THE SENATE ETHICS COMMITTEE.

SACRAMENTO DIVISION AT SACRAMENTO, CALIFORNIA. WILL  
INTERVIEW [REDACTED] AND [REDACTED] REGARDING THE

PAGE FIVE DE FBIPX 0001 UNCLAS

TELEPHONE CALL FROM U.S. SENATOR DENNIS DE CONCINI IN REGARDS TO  
THE PROPOSED SALE OF LSI TO ROUSSELOT AND THE MEETINGS IN 1988  
WITH KEATING. A COPY OF [REDACTED] AFFIDAVIT SHOULD ALSO BE  
OBTAINED. INTERVIEW [REDACTED] REGARDING SOURCE OF HIS INFORMATION  
CONCERNING THE SALE OF LSI AND IF HE HAS BEEN INTERVIEWED BY THE  
SENATE ETHICS COMMITTEE. OBTAIN A COPY OF HIS [REDACTED]  
AFFIDAVIT. SACRAMENTO SHOULD ALSO INQUIRE THESE INDIVIDUALS IF  
THEY RECEIVED ANY OTHER TELEPHONE CALLS FROM ANY PUBLIC OFFICIAL.  
REGARDING KEATING, HIS ASSOCIATES AND HIS BUSINESS ENTITIES.

BT

#0001

NNNN

b6  
b7c

1

## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 3/26/90

Assistant United States Attorney (AUSA) [redacted]  
[redacted] Los Angeles, California, provided to the Federal  
Bureau of Investigation [redacted]  
pursuant to Federal Grand Jury subpoenas directed to [redacted]

[redacted]

b3  
b6  
b7C

**GRAND JURY MATERIAL - Disseminate**  
**Only Pursuant to Rule 6(E),**  
**Fed. R. Crim. P.**

Investigation on 3/13/90 at Los Angeles, California File # 58C-PX-41605 - 57by SA [redacted] /mao Date dictated 3/15/90b6  
b7C

This document contains neither recommendations nor conclusions of the FBI. It is the property of the FBI and is loaned to your agency; it and its contents are not to be distributed outside your agency.



58c-PK-41605-57

q

q



for

b6  
b7c

/READ/REF 17  
0100 MRI 01548

RR FBINK FBILA

DE FBIPX #0013 1101958

ZNR UUUUU

R 201728Z APR 90

FM FBI PHOENIX (58C-PX-41605) (P)

TO FBI NEWARK/ROUTINE/

FBI LOS ANGELES/ROUTINE/

BT

UNCLAS

CITE: //3630//

SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON,  
DENNIS DE CONCINI, JOHN GLENN, JOHN MC CAIN, DONALD RIEGLE;  
CHARLES H. KEATING, JR., DBA LINCOLN SAVINGS AND LOAN ASSOCIATION  
(LSLA) OF CALIFORNIA AND AMERICAN CONTINENTAL CORPORATION (ACC),  
PHOENIX, ARIZONA; CORRUPTION OF FEDERAL PUBLIC OFFICIALS -  
LEGISLATIVE; OO: PHOENIX/LOS ANGELES.

FOR THE INFORMATION OF NEWARK, THIS CASE AROSE FROM A  
MEETING OF FIVE U.S. SENATORS WITH [REDACTED] FEDERAL  
FEDERAL HOME LOAN BANK BOARD (FHLBB), ON APRIL 2, 1987, AND WITH

APR 20 1 24 PM '90

TELETYPE

TELETYPE

SARA

58C-PX-41605-58

SEARCHED	INDEXED
SERIALIZED	FILED
APR 20 1990	

new 4

[REDACTED]

9227

b6  
b7c

b6  
b7c

PAGE TWO DE FBIFX 0013 UNCLAS

SUBSEQUENT MEETINGS WITH OFFICIALS FROM THE FEDERAL HOME LOAN BANK OF SAN FRANCISCO ON APRIL 9, 1987. INVESTIGATION HAS SHOWN KEATING WAS A MAJOR CONTRIBUTOR TO THE SENATORS AND DURING THE MEETINGS WITH THE FHLBB AND THE FEDERAL HOME LOAN BANK OF SAN FRANCISCO, OFFICIALS QUESTIONED THESE INDIVIDUALS CONCERNING LSLA. [REDACTED] AND THE SAN FRANCISCO BANK OFFICIALS HAVE BEEN INTERVIEWED AND ALL CHARACTERIZE THE CONTACTS BY THE U.S. SENATORS AND UNUSUAL AND INAPPROPRIATE. THE DEPARTMENT OF JUSTICE HAS REQUESTED THE FBI TO INVESTIGATE THIS MATTER.

b6  
b7C

AFTER [REDACTED]  
[REDACTED]  
[REDACTED]

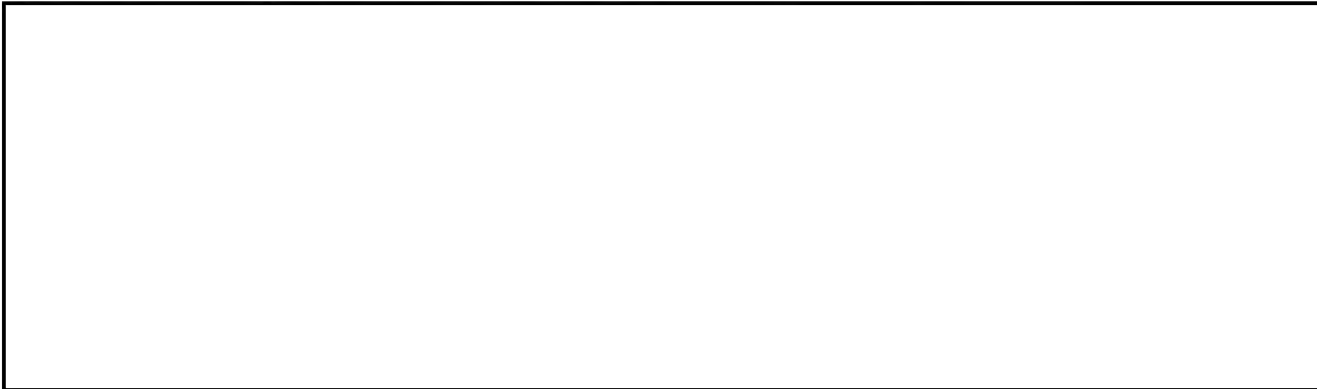
[REDACTED] THE SUPERVISORY AUTHORITY WAS REMOVED FROM THE ELEVENTH DISTRICT (SAN FRANCISCO) AND A NATIONAL EXAM TEAM WAS FORMED AND COORDINATED FROM THE FHLBB IN WASHINGTON, D.C.

INVESTIGATION HAS RECENTLY SHOWN THAT SOME OF THE NATIONAL EXAM TEAM MEMBERS VOICED CONCERN TO SUPERVISORS THAT THIS EXAM WHICH BEGAN IN JULY OF 1988 OF THE THRIFT AND THE HOLDING COMPANY IN AUGUST OF 1988 WERE "WHITEWASHES".

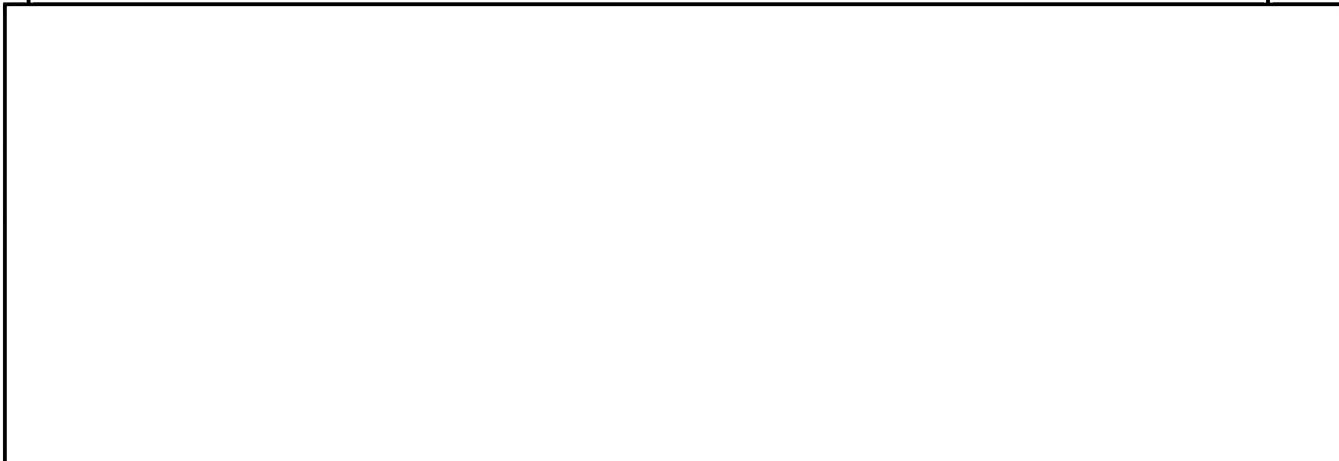
[REDACTED] IS ONE SUCH EXAMINER THAT WAS ASSIGNED FROM THE SEATTLE DISTRICT OF THE FEDERAL HOME LOAN BANK. [REDACTED]

b6  
b7C

PAGE THREE DE FBIPX 0013 UNCLAS



b6  
b7C  
b7D



b6  
b7C  
b7D

NEWARK DIVISION AT LAROKA HARBOR, NEW JERSEY: INTERVIEW

[REDACTED] WHO CAN BE REACHED THROUGH [REDACTED]

AND LOAN ASSOCIATION, TELEPHONE NUMBER [REDACTED]

BT

#0013

NNNN

/READ /REF 12  
0047 MRI 00353

APR 23 9 11 PM '90

RR RUEHFB FBILA

TELETYPE ROOM

DE FBIPX #0002 1140334

ZNR UUUUU

R 240312Z APR 90

FM FBI PHOENIX (58C-PX-41605) (P)

TO DIRECTOR FBI/ROUTINE/

FBI LOS ANGELES/ROUTINE/

BT

UNCLAS

SECTION ONE OF TWO SECTIONS

CITE: //3630//

PASS: SSA  PUBLIC CORRUPTION UNIT, FBIHQ.

b6  
b7c

SUBJECT: ALLEGATIONS CONCERNING U. S. SENATORS ALAN CRANSTON, ET  
AL; CHARLES H. KEATING, JR., DBA LINCOLN SAVINGS AND LOAN  
ASSOCIATION, AMERICAN CONTINENTAL CORPORATION; CORRUPTION OF  
PUBLIC OFFICIALS - LEGISLATIVE; OO: PX/LA.

RE PHOENIX TEL TO BUREAU, MARCH 21, 1990.

THE FOLLOWING IS A SUMMARY INVESTIGATION CONDUCTED SINCE  
MARCH 21, 1990:

(X)  
h

**SARA** **TELETYPE**

NO IMMEDIATE ACTION REQUIRED 4/23/90

58C-PX-41605 59

SEARCHED	INDEXED
SERIALIZED	FILED
APR 23 1990	
FBI - PHOENIX	

WCC  
4

*[Signature]*

b6  
b7c

PAGE TWO DE FBIPX 0002 UNCLAS

ON APRIL 3, 1990, [REDACTED] FEDERAL  
HOME LOAN BOARD, WAS INTERVIEWED. [REDACTED] INDICATED THAT [REDACTED]

b6  
b7C  
b7D

[REDACTED]  
[REDACTED] HE LEARNED THAT [REDACTED]  
[REDACTED] HAD BECOME [REDACTED] FURTHER STATED  
THERE WAS A RUMOR (HE ATTRIBUTED THIS RUMOR TO [REDACTED] A  
WHITE HOUSE STAFFER) THAT KEATING HAD CONTRIBUTED OVER  
\$200,000.00 TO A REPUBLICAN ENTITY AND THIS WAS THE REASON THAT  
DON REGAN HAD [REDACTED] APPOINTED TO THE FEDERAL HOME LOAN BANK  
BOARD. [REDACTED] FURTHER STATED THAT CHARLES KEATING PROVIDED HIM A  
FILE WHICH WAS LATER CHARACTERIZED BY MEMBERS OF THE FEDERAL HOME  
LOAN BANK IN SAN FRANCISCO AS A "SECRET FILE" THAT CONTAINED  
DAMAGING INFORMATION REGARDING THE ELEVENTH DISTRICT. [REDACTED]  
INFORMED [REDACTED] THE SAN FRANCISCO BANK, OF THIS  
FILE'S EXISTENCE; HOWEVER, HE WOULD NOT IDENTIFY THE CONTENTS TO  
[REDACTED] ADMITTED THAT WHEN KEATING GAVE HIM THE FILE  
THERE WERE NO PRE-EXISTING CONDITIONS TO ITS ACCEPTANCE; HOWEVER,  
HE COULD NOT SPECIFICALLY RECALL WHY HE WOULD NOT SHOW THE FILE  
OR INFORM [REDACTED] OF ITS CONTENTS. [REDACTED] WAS  
UNAWARE OF CERTAIN ACTIVITIES ON THE PART OF THE FEDERAL HOME

PAGE THREE DE FBIPX 0002 UNCLAS

LOAN BANK BOARD STAFFERS AS THEIR ACTIVITY RELATED TO LINCOLN SAVINGS AND LOAN ASSOCIATION. [ ] IN FACT, CHARACTERIZED THIS LACK OF KNOWLEDGE AS "THE CREW ALWAYS RUNS THE SHIP."

b6  
b7c

[ ] THE TRANSFER OF SUPERVISION FROM THE ELEVENTH DISTRICT TO THE FEDERAL HOME LOAN BANK BOARD BASED ON INFORMATION SUPPLIED HIM BY THE ENFORCEMENT REVIEW COMMITTEE. [ ] STATED HE UNDERSTOOD THAT THERE WAS A POSSIBLE VENDETTA ON THE PART OF OFFICIALS OF THE ELEVENTH DISTRICT (SAN FRANCISCO); HOWEVER, HE COULD NOT ALLUDE TO A SPECIFIC INSTANCE AND SAID IT WAS JUST RUMORED THAT THERE WAS A VENDETTA. [ ] SAID HE RETURNED THE "SECRET FILE" TO KEATING AND HIS STAFF EMPLOYEES [ ]

[ ] HANDLED THE RETURN AND SUBSEQUENT CONVERSATIONS WITH KEATING REGARDING THIS FILE.

[ ] STATED THAT HE RECEIVED TELEPHONE CALLS IN MARCH OR APRIL, 1989, FROM SENATORS ALAN CRANSTON AND DENNIS DE CONCINI CONCERNING THE SALE OF LINCOLN SAVINGS AND LOAN (LSL) TO FORMER CALIFORNIA CONGRESSMAN JOHN ROUSSELOT. [ ] CHARACTERIZED THESE TELEPHONE CALLS AS BOTH IDENTICAL IN NATURE AS IF "THEY WERE READING FROM THE SAME SCRIPT." THE PURPOSE OF THE TELEPHONE CALLS WAS FOR [ ] TO MEET WITH ROUSSELOT CONCERNING THE

PAGE FOUR DE FBIPX 0002 UNCLAS

PURCHASE OF LSL. [ ] SAID AFTER HE MET WITH ROUSSELOT, IT WAS OBVIOUS THAT ROUSSELOT WAS ACTING AS A "FRONT MAN" FOR CHARLES KEATING. [ ] IN FACT, STATED THAT THERE WAS AN UNRECALLED ATTORNEY WHO WAS REPRESENTING CHARLES KEATING AT THIS MEETING WHO HAD TO EXPLAIN THE DETAILS OF THE PURCHASE.

b6  
b7c

ON APRIL 12, 1990, [ ]  
STATE OF CALIFORNIA SAVINGS AND LOAN DEPARTMENT, WAS INTERVIEWED  
AND HE ADVISED THAT SENATOR DE CONCINI CONTACTED [ ]  
[ ] TRANSPORTATION AND HOUSING WHICH OVERSEES  
[ ] DEPARTMENT IN MARCH OR APRIL, 1989. [ ]  
INFORMED [ ] THAT DE CONCINI HAD CALLED HIM EXPRESSING  
CONCERN THAT [ ] WOULD SAY SOMETHING NEGATIVE TO THE PRESS  
CONCERNING THE SALE OF LSL TO JOHN ROUSSELOT. DE CONCINI FURTHER  
TOLD [ ] THAT LSL WAS IN THE PROCESS OF BEING CONVERTED TO  
A FEDERAL SAVINGS AND LOAN; THEREFORE, CALIFORNIA WOULD HAVE NO  
FURTHER SUPERVISORY JURISDICTION. [ ] FURTHER STATED THAT  
[ ] FURTHER INFORMED HIM THAT DE CONCINI WAS CONCERNED THAT  
[ ] MIGHT LEAK INFORMATION OF THIS PROPOSED SALE TO THE  
PRESS. [ ] SAID THAT [ ] DID NOT INSTRUCT HIM TO DO  
ANYTHING AND THAT HE WAS ONLY PASSING ON THIS INFORMATION.

[ ] ALSO RECEIVED A TELEPHONE CALL FROM [ ]



[REDACTED] TRANSPORTATION AND HOUSING AFTER  
[REDACTED] TELEPHONE CALL. [REDACTED] HAD SPECIFIC INFORMATION  
CONCERNING THE PROPOSED SALE; HOWEVER, [REDACTED] IS UNSURE IF  
[REDACTED] RECEIVED THIS INFORMATION FROM [REDACTED] OR HAD RECEIVED  
A TELEPHONE CALL FROM SENATOR DE CONCINI. [REDACTED] ALSO STATED  
THAT ONE OF THE CALIFORNIA DEPARTMENT OF SAVINGS AND LOAN  
EMPLOYEES, [REDACTED] ALSO RECEIVED A TELEPHONE CALL FROM  
[REDACTED] THE AID TO SENATOR CRANSTON. THIS TELEPHONE CALL  
WAS TO PASS ON THE FACT THAT CRANSTON WAS IN FAVOR OF THE  
PROPOSED SALE OF LSL.

DURING THE WEEK OF APRIL 16 - 18, 1990, EMPLOYEES OF THE  
FEDERAL HOME LOAN BANK IN SEATTLE AND OFFICE OF THRIFT  
SUPERVISION WERE INTERVIEWED CONCERNING THEIR UNDERSTANDING OF  
WHY SEATTLE WAS CONSIDERED AS A SUPERVISORY DISTRICT FOR LSL.  
FURTHER INFORMATION HAS BEEN DEVELOPED WHICH INDICATES THAT  
VARIOUS "NATIONAL EXAMINERS" WHO CONDUCTED EXAMINATIONS OF THE  
THRIFT AND THE HOLDING COMPANY, AMERICAN CONTINENTAL CORPORATION  
(ACC), DURING 1988 AND 1989 WERE CONCERNED THAT THIS EXAM WAS A  
"WHITE-WASH." [REDACTED]

[REDACTED] THE OTHER INDIVIDUALS INTERVIEWED WERE

b6  
b7c

b6  
b7c

[REDACTED]  
[REDACTED]  
[REDACTED] SAYING HE DID NOT BELIEVE THERE WAS A "WHITE-WASH," ADMITTED THAT THE EXAM TO A CERTAIN EXTENT WAS CONTROLLED BY THE CONTENTS OF THE MEMORANDUM OF UNDERSTANDING (MOU) EXECUTED BETWEEN THE FEDERAL HOME LOAN BANK BOARD AND LSL. [REDACTED] IN FACT STATED THAT WHEN CERTAIN EXAM ITEMS WERE TO BE DISCUSSED OFFICIALS OF LSL WOULD SIMPLY STATE THAT THIS HAD BEEN COVERED IN THE MOU AND WAS NOT TO BE GONE INTO FARTHER. [REDACTED] WAS AWARE THAT EXAMINERS WERE DISGRUNTLED; HOWEVER, HE CHARACTERIZED THESE DISAGREEMENTS AS DISAGREEMENTS CONCERNING METHODOLOGY BETWEEN EXAMINERS AND THEIR SUPERVISORS. [REDACTED]  
ALL ADMITTED REMEMBERING CHARLES KEATING DURING THE FEBRUARY, 1988 MEETING INDICATING THAT HE WAS CONCERNED THAT HE MIGHT GO TO JAIL IF SUPERVISION REMAINED IN SAN FRANCISCO. KEATING APPARENTLY FELT THAT THE SAN FRANCISCO DISTRICT WAS "OUT TO GET HIM."

[REDACTED] ALL REMEMBER THAT KEATING SAID THAT HE HAD [REDACTED]

BT

#0002

NNNN

0046 MRI 00354

RR RUEHFB FBILA

DE FBIPX #0003 1140333

ZNR UUUUU

R 240312Z APR 90

FM FBI PHOENIX (58C-PX-41605) (P)

TO DIRECTOR FBI/ROUTINE/

FBI LOS ANGELES/ROUTINE/

BT

UNCLAS

SECTION TWO OF TWO SECTIONS

CITE: //3630//

PASS: SSA [REDACTED] PUBLIC CORRUPTION UNIT, FBIHQ.

b6  
b7c

SUBJECT: ALLEGATIONS CONCERNING U. S. SENATORS ALAN CRANSTON, ET  
AL; CHARLES H. KEATING, JR., DBA LINCOLN SAVINGS AND LOAN  
ASSOCIATION, AMERICAN CONTINENTAL CORPORATION; CORRUPTION OF  
PUBLIC OFFICIALS - LEGISLATIVE; OO: PX/LA.

TEXT CONTINUES:

[REDACTED] SPECIFICALLY RECALLED THAT KEATING SAID AFTER  
HE ACQUIRED LSL HE SOON REALIZED THAT HE COULD NOT MAKE ANY MONEY

PAGE TWO DE FBIPX 0003 UNCLAS

MAKING HOME LOANS BECAUSE GREAT WESTERN S & L HAD THE REAL ESTATE  
BROKERS "LOCKED UP." [ ] SAID THIS IS WHEN KEATING SAID THAT  
HE HAD [ ] BECAUSE [ ] KNEW  
KEATING AND AGREED WITH HIS BUSINESS TACTICS AND WOULD HELP HIM.

b6  
b7c

[ ] STATED THAT KEATING WAS TALKING IN THE CONTEXT THAT IF HE  
COULD NOT MAKE MONEY PURSUANT TO CURRENT RULES, HE WOULD HAVE  
THEM CHANGED. KEATING REFERRED TO A HIGH ADMINISTRATION OFFICIAL  
WHO HELPED IN THE [ ] MATTER; HOWEVER, [ ] COULD NOT RECALL  
THE IDENTITY OF THIS PERSON. KEATING ALSO STATED THAT HE HAD  
INFLUENCE POLITICALLY AND MADE REFERENCE TO THE CHANGING OF THE  
COURSE OF AN INTERSTATE HIGHWAY IN LOUISIANA TO GO THROUGH HIS  
PROPERTY WHICH OBVIOUSLY INCREASED ITS VALUE.

[ ] HAS BEEN SERVED A SUBPOENA ASKING [ ]

b3  
b6  
b7c

[ ] ADDITIONALLY, AUSA [ ] HAS

ADVISED PHOENIX FBI THAT DONALD RIEGLE'S ATTORNEY APPEARS LESS  
COOPERATIVE AND IS CONSIDERING THE ISSUANCE OF A SUBPOENA.

PAGE THREE DE FBIPX 0003 UNCLAS

[REDACTED] HAS  
BEEN IN CONTACT WITH THE PHOENIX FBI. INITIALLY, IT WAS REPORTED  
THROUGH THE U. S. ATTORNEY'S OFFICE IN LOS ANGELES THAT THE

b6  
b7C  
b7D

[REDACTED] WANTED TO BE PRESENT DURING  
THIS INTERVIEW; HOWEVER, [REDACTED] HAS INDICATED THAT SHE  
BELIEVES HE WOULD NOT SERVE HER INTEREST AND HAS AGREED TO MEET  
WITH THE FBI WITHOUT COUNSEL.

PHOENIX AND LOS ANGELES WILL IMMEDIATELY REPORT TO  
HEADQUARTERS ANY SIGNIFICANT DETAILS AS THEY DEVELOP.

BT

#0003

NNNN

## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 4/16/90

[redacted] was contacted by telephone [redacted]  
[redacted]  
Washington, D.C. and advised of the interviewing Special Agent's official identity, and that the contact related to the service of a Federal Grand Jury subpoena. The interviewing Special Agent explained that attempts to contact [redacted] had been made since early in the evening.

[redacted] requested and was given time to telephone his attorney in California, after which the interviewing Special Agent went to [redacted] and served [redacted] with the subpoena, at 11:15 p.m. After reading the subpoena, [redacted] stated that [redacted]  
[redacted]

b3  
b6  
b7C

Investigation on 4/16/90 at Washington, D.C. File # WMFO 58C-PX-41605-60  
by SA [redacted] Date dictated 4/17/90

b6  
b7C

SEC-PX-41605-60

of

9

for

FBI

## TRANSMIT VIA:

☐ Teletype  
☐ Facsimile  
☒ AIRTEL

## PRECEDENCE:

☐ Immediate  
☐ Priority  
☐ Routine

## CLASSIFICATION:

☐ TOP SECRET  
☐ SECRET  
☐ CONFIDENTIAL  
☐ UNCLAS E F T O  
☐ UNCLAS

Date 4/17/90

TO : SAC, LOS ANGELES (58C-PX-41605) (WCC4/SARA) (P)

FROM : SAC, WMFO (58C-PX-41605) (C-9/NVMRA) (P)

ALLEGATIONS CONCERNING U.S. SENATORS  
 ALAN CRANSTON, DENNIS D. DE CONCINI,  
 JOHN GLENN, JOHN MC CAIN, DONALD REIGLE;  
 CHARLES H. KEATING, JR., dba  
 LINCOLN SAVINGS AND LOAN ASSOCIATION  
 OF CALIFORNIA (LSL) AND AMERICAN  
 CONTINENTAL CORPORATION (ACC),  
 PHOENIX, ARIZONA;  
 CORRUPTION OF FEDERAL PUBLIC  
 OFFICIALS-LEGISLATIVE;  
 OO: PX/LA

Re Phoenix facsimile to WMFO, 4/6/90.

Enclosed for LA are the original subpoena in captioned matter, received by WMFO via re facsimile, and the original and one copy of an FD-302 re its service.

Enclosed for Phoenix are two copies of the FD-302 re service.

It is noted that the return page was not received with re facsimile, and the enclosed return page was copied from another subpoena, and executed.

Investigation at Washington, D.C. continuing.

3-Los Angeles (encls. 3) *MLP*  
 2-Phoenix (encls. 2) *9/26/14/16*  
 2-WMFO  
 REA:rea  
 (7)

*58C-PX-41605-61*

SEARCHED	INDEXED
SERIALIZED	FILED
APR 23 1990	
FBI - LOS ANGELES	

*[Signature]*

Approved: *TD/MLP*

Transmitted

(Number) (Time)

Per

SARA



1

## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 3/26/90

[redacted]  
California, [redacted] was advised as to the identity of the interviewing agents and the purpose of the interview at which time she advised as follows:

[redacted] advised her date of birth is [redacted] and she was born in [redacted]. Her social security account number [redacted], and she has a California Driver's License Number of [redacted]

b6  
b7C

[redacted] confirmed the fact that she is familiar with [redacted]

b6  
b7C

[redacted] advised [redacted]

[redacted] She further recalls on occasion when ALAN CRANSTON was visiting the Los Angeles area [redacted]

b6  
b7C

Investigation on 3/13/90 at [redacted] California File # 58C-PX-41605-62  
56C-LA-101615

by SA [redacted] GKM/lkl Date dictated 3/26/90

56C-LA-101615

Continuation of FD-302 of [REDACTED], On 3/26/90, Page 2

b6  
b7C

[REDACTED]

[REDACTED]

[REDACTED] advised she does recall [REDACTED] being involved with [REDACTED] CENTER FOR

[REDACTED]

[REDACTED] confirmed the fact that in late 1987 or early 1988, she met CHARLES KEATING. Prior to actually meeting KEATING she recalls [REDACTED] ALAN CRANSTON went to see KEATING in Phoenix, Arizona, she believes in the latter part of 1987. [REDACTED]

[REDACTED]

b6  
b7C

[REDACTED] recalls actually meeting CHARLES KEATING in the very latter part of 1987 or early 1988. [REDACTED]

[REDACTED]

[REDACTED] She does not specifically recall if Senator ALAN CRANSTON was at the function.

[REDACTED] does not recall discussing anything of substance with KEATING at that first meeting. In fact, she does not recall meeting with KEATING again. She does not recall ever sitting in a meeting with [REDACTED] ALAN CRANSTON, or CHARLES KEATING.

56C-LA-101615

Continuation of FD-302 of [REDACTED], On 3/26/90, Page 3

b6  
b7C

[REDACTED] does recall having dinner [REDACTED] couple of times with [REDACTED]. She does not recall CHARLES KEATING being present at those dinners. She does not rule out the fact that he wasn't, she just simply doesn't remember if he was present.

[REDACTED] further advised she never went to Phoenix [REDACTED] nor has she ever met CHARLES KEATING in Phoenix, Arizona.

[REDACTED] recalls prior to meeting KEATING to the best of her recollection, he was characterized by [REDACTED] as a very wealthy guy who possibly could be a large contributor.

[REDACTED] confirmed the fact she was well aware of the activities of the CENTER FOR PARTICIPATION IN DEMOCRACY. She had many discussions with [REDACTED] about CPD [REDACTED]

b6  
b7C

[REDACTED] She believes the main focus of CPD seemed to be on an experimental basis in the state of California regarding voter registration. She recalls it was to be a non-partisan voter registration drive and if it was successful then the drive would be initiated throughout the country. She does recall a company called AMERICA VOTES and believes it may have been the vehicle to facilitate the voter registration drives throughout the country.

During the discussions with [REDACTED] regarding CPD she was well aware that he was committed to voter registration and well aware the activities must be conducted in a non-partisan basis. She advised [REDACTED] was also well aware that targeting those individuals would result in mostly Democratic registration, however, he never mentioned to her that targeting those individuals was a strategy to strictly register Democrats as opposed to Republicans. He just seemed to be very committed and obsessed with more people getting out to vote. He would frequently use the example of some former President who was elected based on only one-third of the American population voting.

[REDACTED] advised she has no knowledge regarding the contributions or contributors to the CPD. [REDACTED]  
[REDACTED]  
[REDACTED]

56C-LA-101615

Continuation of FD-302 of [REDACTED], On 3/26/90, Page 4

b6  
b7C

[REDACTED] does not recall having any discussions with [REDACTED]  
[REDACTED] ALAN CRANSTON or anyone else regarding the savings and  
loan problems of CHARLES KEATING. At the time [REDACTED]  
[REDACTED] she does not believe the KEATING problems  
were publicized on a grand scale.

58C-PX-41605-62

of

of



for

b6  
b7C

FBI

## TRANSMIT VIA:

☐ Teletype  
☐ Facsimile  
☒ AIRTEL

## PRECEDENCE:

☐ Immediate  
☐ Priority  
☐ Routine

## CLASSIFICATION:

☐ TOP SECRET  
☐ SECRET  
☐ CONFIDENTIAL  
☐ UNCLAS E F T O  
☐ UNCLAS

Date 4/20/90

TO : SAC, PHOENIX (58C-PX-41605) (RUC)  
 FROM : SAC, SEATTLE (58C-PX-41605) (RUC)  
 SUBJECT: ALLEGATIONS CONCERNING U.S.  
 SENATORS ALAN CRANSTON,  
 DENNIS D. DECONCINI,  
 JOHN GLENN, JOHN MCCAIN,  
 DONALD RIEGLE;  
 CHARLES H. KEATING, JR., dba  
 LINCOLN SAVINGS & LOAN  
 ASSOCIATION OF CALIFORNIA (LSL),  
 AMERICAN CONTINENTAL CORPORATION (ACC),  
 PHOENIX, ARIZONA;  
 CORRUPTION OF FEDERAL PUBLIC OFFICIALS-LEGISLATIVE;  
 OO: PHOENIX/LOS ANGELES

Re Phoenix airtel to the Director, dated March 21, 1990  
 and Phoenix teletype to the Director, dated April 4, 1990.

Referenced airtel set forth lead for Seattle to locate  
 and interview [redacted] when notified by Phoenix and Los  
 Angeles Divisions. As set forth in referenced teletype, this  
 lead was covered personally by Special Agent [redacted]  
 Phoenix Division.

As Seattle's lead has been covered and no additional  
 assistance has been requested, Seattle is considering this matter  
 RUC'd.

2 - Phoenix (58C-PX-41605)  
 2 - Los Angeles (info)  
 2 - Seattle (58C-PX-41605)  
 OEK:mag  
 (6)

58C-PX-41605-63

SEARCHED	INDEXED
SERIALIZED	FILED
APR 23 1990	

[redacted]

Approved: \_\_\_\_\_ Transmitted \_\_\_\_\_ Per \_\_\_\_\_  
 (Number) (Time)

SARA

1

## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 3/16/90

[redacted]  
[redacted] New York City, New York,  
10019, telephone [redacted] was advised as to the identity  
of the interviewing agents and the purpose of the interview at  
which time he advised as follows:

[redacted] stated his home address is [redacted]  
New York City, New York. [redacted] telephone [redacted] His  
date of birth is [redacted] and he was born [redacted]  
[redacted] His Social Security Account Number is [redacted]  
[redacted]

b6  
b7Cb6  
b7C

Investigation on 3/12/90 at New York City, NY File # 56C-PX-41605 -64  
by SA [redacted]  
SA [redacted] GKM/cpt Date dictated 3/14/90

b6  
b7C

56C-PX-41605

Continuation of FD-302 of [REDACTED]

, On 3/12/90, Page 2

b6  
b7C

[REDACTED]

[REDACTED] recalls in the spring of 1986 he received a call from CHARLES KEATING, JR. [REDACTED]

[REDACTED]

[REDACTED] KEATING was critical of the philosophy of the FEDERAL HOME LOAN BANK BOARD [REDACTED] KEATING quoted a study which had been conducted by one [REDACTED] The study stated the savings and loan industry could solve many problems by allowing direct investment and direct ownership by the savings and loan institutions. KEATING was a strong proponent for direct investments and made that philosophy known to [REDACTED]

[REDACTED]

[REDACTED] further stated during the discussions with KEATING he was never threatened or hustled in any way by KEATING. KEATING was very philosophical and expressed his views as to the future of the industry and stated what he (KEATING) wanted to do within the industry. The discussion as a whole seemed to be very orderly.

b6  
b7C

[REDACTED] was not asked by any high ranking political official to see CHARLES KEATING, JR. [REDACTED] was not contacted by the White House Chief of Staff DONALD REGAN or anyone else connected with the White House, Senate, or Congress. KEATING simply called and made an appointment through [REDACTED] secretary for the above meeting.

[REDACTED] stated in addition to CHARLES KEATING he met with other savings and loan owners and individuals in industry. He also met with real estate people and other business people [REDACTED]

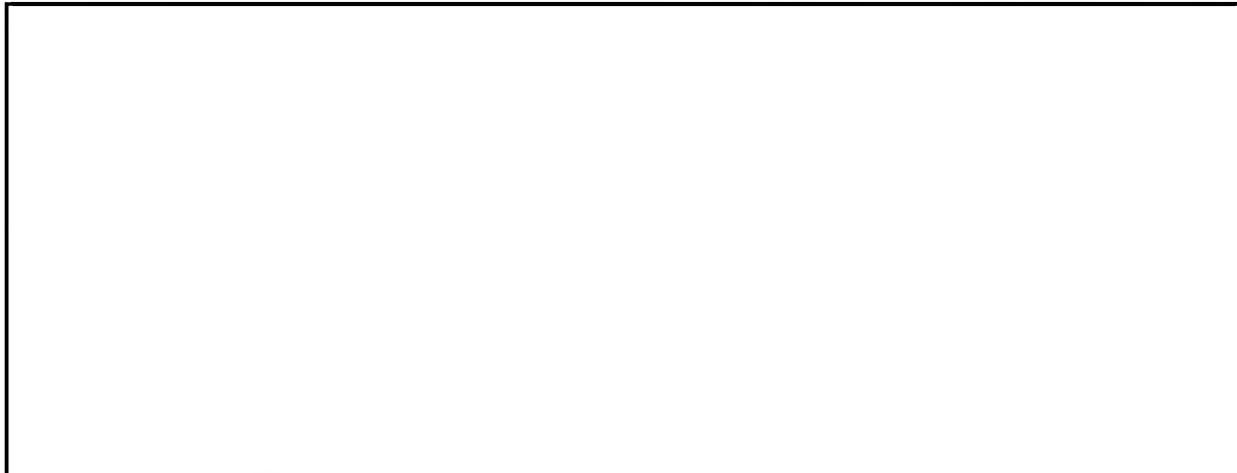
[REDACTED]

[REDACTED] had a second meeting with KEATING he believes in mid 1986. [REDACTED]



56C-PX-41605

Continuation of FD-302 of [REDACTED], On 3/12/90, Page 3

b6  
b7C

[REDACTED] stated during the second meeting with KEATING in mid 1986 KEATING went over additional points concerning his philosophy of the savings and loan industry. This meeting seemed to be more of a lobbying effort on KEATING's part. The same assistants accompanied KEATING to the meeting. [REDACTED] does not specifically recall their names, however, believes his former secretary [REDACTED] may have the names of the KEATING assistants. [REDACTED] number is [REDACTED]

b6  
b7C

At the second meeting, [REDACTED] was aware of the conflict which had begun between KEATING, LINCOLN SAVINGS AND LOAN, [REDACTED] the FEDERAL HOME LOAN BANK BOARD. [REDACTED] had been in contact with [REDACTED] on a consistent basis [REDACTED] was unable to talk in specifics, however, could address problems of the savings and loan industry and state that the FEDERAL HOME LOAN BANK BOARD was involved in instituting regulations to further govern the federal insured savings and loans.

During the second meeting with KEATING, [REDACTED] was also aware of the past consent decree which had been placed on KEATING years before. After the first meeting with KEATING, [REDACTED] OFFICE OF FINANCIAL INSTITUTION PHILOSOPHY and asked the researchers in that office to get some background on CHARLES KEATING. The individuals in that office are made up of approximately 10 high ranking economists and researchers. They

56C-PX-41605

Continuation of FD-302 of [REDACTED], On 3/12/90, Page 4

b6  
b7C

obtained previous information on KEATING and in doing additional research determined that he had a consent decree placed on him in the late 60's or early 70's.

At the second meeting, KEATING again strongly expressed his views of [REDACTED] philosophy. KEATING stated [REDACTED] was dangerous to the savings and loan industry and that he (KEATING) would take it upon himself to stop [REDACTED] by hiring him away from the FEDERAL HOME LOAN BANK BOARD. KEATING told [REDACTED] he was willing to hire [REDACTED] and had attempted to hire [REDACTED] at a salary of \$300,000 per year. KEATING further told [REDACTED] that [REDACTED] had refused the offer.

[REDACTED] made KEATING aware that he supported many of [REDACTED] philosophies. [REDACTED] KEATING told [REDACTED] he was wrong by agreeing with that philosophy and stated something to the effect, "By the way, I have a lot of influence on the hill especially in the Senate. I could be very helpful in promoting and passing legislation I agree with and unhelpful with legislation I don't agree with". KEATING further accused [REDACTED] of being "out of step" with the White House administration's philosophy of deregulation. KEATING stated that direct ownership by the savings and loan was the answer to the savings and loans problems. KEATING referred to the fact that LINCOLN SAVINGS had major stock in ST. REGIS PAPER COMPANY and they soon would be making a fortune.

b6  
b7C

[REDACTED] recalls being extremely surprised as to the extreme nature of KEATING's philosophy and made an attempt to clarify what KEATING was stating. [REDACTED] recalls saying to KEATING something to the effect, "If I hear you correctly you want to in effect own a Mutual Fund consisting of stocks and directly owned properties funded by the government insured deposits with the downside risk going to the government and the upside profits going to the savings and loan?" [REDACTED] specifically recalls KEATING stating, "You're exactly right". At this time [REDACTED] informed KEATING that the philosophy he had just stated was not part of the administration's concept of deregulation. [REDACTED] then quickly ended the meeting and escorted KEATING and his assistants out of his office. [REDACTED] advised his staff he did not want to meet with KEATING again and instructed

b6  
b7C

56C-PX-41605

Continuation of FD-302 of [REDACTED], On 3/12/90, Page 5

b6  
b7C

his staff not to have any meetings with KEATING or his staff. The main reason [REDACTED] decided to end any dialogue with KEATING was he did not want to be placed in a position whereby KEATING could align himself with [REDACTED]

[REDACTED] advised KEATING did make another attempt to see [REDACTED] at which time [REDACTED] secretary simply and cordially put him off. It still would have been to the advantage of KEATING to meet with [REDACTED]

[REDACTED] did not grant KEATING an additional meeting.

[REDACTED]

During the time [REDACTED] he would meet consistently with members of the FEDERAL HOME LOAN BANK BOARD in Washington, D.C. They would meet to discuss various problems within the savings and loan industry. In addition, he would meet with members of the bank board to obtain their views and opinions to assist in the writing of the above mentioned legislation.

b6  
b7C

[REDACTED] recalls on or about April 3, 1987, he met with [REDACTED] On that particular day, [REDACTED] was very upset and outraged and mentioned to [REDACTED] that he had been to a meeting on the hill with several United States senators. He did not go into detail but stated the senators had tried to influence [REDACTED] as a regulator. [REDACTED] did advise [REDACTED] at that time that it appeared CHARLES KEATING was behind the attempted influence.

During the period of mid November of 1986 through April of 1987, [REDACTED] was contacted separately by [REDACTED] Both met with [REDACTED] office. He recalls the meeting with [REDACTED] was after [REDACTED]

[REDACTED]

56C-PK-41605-64

SEARCHED	INDEXED
SERIALIZED	FILED
JUN 10 1964	
FBI - NEW YORK	
[Redacted Box]	
[Signature]	

b6  
b7C

# Memorandum



To : SAC, LOS ANGELES (56C-LA-101615)

Date 3/19/90

From : SA's [REDACTED]

b6  
b7C

Subject: CHARLES KEATING, JR., Chairman,  
AMERICAN CONTINENTAL CORPORATION,  
Phoenix, Arizona;  
UNSUBS;  
PRINCIPLES AND OFFICERS OF AMERICAN CONTINENTAL CORP.;  
UNSUBS;  
PRINCIPLES AND OFFICERS OF LINCOLN  
SAVINGS AND LOAN ASSOCIATION,  
Irvine, California;  
ELECTION LAW VIOLATION;  
OO: Los Angeles  
(56C-LA-101615)

ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON,  
DENNIS DECONCINI, JOHN GLENN, JOHN MCCAIN, DONALD RIEGLE;  
CHARLES H. KEATING, JR.,  
dba AMERICAN CONTINENTAL CORPORATION,  
Phoenix, Arizona;  
LINCOLN SAVINGS AND LOAN ASSOCIATION,  
Irvine, California;  
CORRUPTION OF FEDERAL PUBLIC OFFICIALS - LEGISLATIVE;  
OO: PX/LA  
(58C-PX-41605)

[REDACTED]  
[REDACTED] THE CALIFORNIA DEPARTMENT  
OF SAVINGS AND LOAN;  
CHARLES H. KEATING, JR.;  
dba LINCOLN SAVINGS AND LOAN,  
Irvine, California;  
CORRUPTION OF STATE AND LOCAL POLITICIANS - STATE LEVEL;  
OO: Los Angeles  
(194A-LA-108012)

- 8 - Los Angeles  
(2 - 56C-LA-101615)  
(2 - 58C-PX-41605)  
(2 - 194A-LA-108012)  
(2 - 58A-NEW)

GKM/cpt  
(8) *cpt*

RECOMMENDATION	
SUBJECT	<i>[Signature]</i>
ASAC	<i>[Signature]</i>
APPROVED	<i>[Signature]</i>
SAC	<i>[Signature]</i>

58C - PX - 41605-65

SEARCHED	INDEXED
SERIALIZED	FILED
APR 06 1990	
FBI - LOS ANGELES	

*[Signature]*

56C-LA-101615



THE FEDERAL HOME LOAN BANK BOARD,

Washington, D.C.;

CHARLES H. KEATING, JR.;

dba LINCOLN SAVINGS AND LOAN,

Irvine, California;

CORRUPTION OF FEDERAL PUBLIC OFFICIALS - REGULATORY;

OO: Los Angeles

(58A-NEW)

b6  
b7C

Due to the highly sensitive status of the above mentioned matters and the fact all matters are being investigated in conjunction with major case number 24 entitled, "DESERT GEM", it is requested all investigative files currently maintained in Los Angeles headquarters be physically moved to the Santa Ana Resident Agency.

It is noted all of the above matters involve CHARLES KEATING, JR., who is also the main subject of DESERT GEM.

It is necessary to maintain the investigative files for all Political Corruption matters at the Santa Ana RA due to the fact all investigative files for DESERT GEM are maintained in the RA. This facilitates convenience and open dialogue among investigative agents and allows all documentation to be immediately reviewed.

Due to the above, it is requested all political corruption investigative files regarding the above matters be immediately moved to the Santa Ana RA.

# Memorandum



To : SAC, LOS ANGELES (58C-PX-41605)  
(SARA) (P)

Date 5/2/90

From : SA [REDACTED]

b6  
b7C

Subject: UNITED STATES SENATORS  
ALAN CRANSTON;  
ET AL;  
CORRUPTION OF FEDERAL OFFICIALS -  
LEGISLATIVE  
OO: Phoenix/Los Angeles

It is contemplated that the following investigation will be conducted by the Santa Ana Resident Agency within the next 60 days:

1. Review documents to be obtained by FGI Subpoena from

[REDACTED]

b3  
b6  
b7C

[REDACTED] These subpoenas have been served, and have a returned date of 4/26/90.

2. Review documents to be obtained by FGI Subpoena from

[REDACTED]

[REDACTED] The subpoena has been served on [REDACTED] and has a return date of 4/30/90.

3. The subject senators have been requested to supply copies of the documents they submitted to the Senate Ethics Committee. Senators DECONCINI, MCCAIN, and GLENN have complied with this request, and the documents have been supplied to the Phoenix Division. Senators RIEGLE and CRANSTON are continuing to negotiate the matter with AUSA MANSFIELD. If and when documents are received from CRANSTON and RIEGLE, they will be reviewed to determine whether they show services performed by the senators or their staffs, or services requested by KEATING. Santa Ana Resident Agency will also review the GLENN documents in Phoenix, but the Phoenix Division will review the DECONCINI and MCCAIN documents.

JAJ/1kl  
(2) *[Signature]*

58C-PX-41605-66

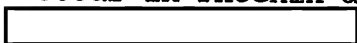
[REDACTED] *[Signature]*

b6  
b7C



b3

5. Review Federal Home Loan Bank board records stored at the ACC bankruptcy Depository in Phoenix, Arizona, regarding contacts between the regulators and the subject senators and ACC/LINCOLN lobbyists. It is contemplated that this review will occur in Phoenix during the week of May 7, by Special Agents



b6  
b7C

6. After reviewing their subpoenaed documents, interview [redacted] regarding the \$400,000 contribution to CPD made by ACC on 2/10/88. [redacted] accompanied [redacted] to Phoenix when the \$400,000 was solicited from KEATING.

7. Interview Los Angeles Attorney/Lobbyist [redacted] regarding circumstances of (a) \$100,000 he reportedly raised for the Republican Party from KEATING and his associates in June, 1988, (b) \$172,000 he reportedly raised for California Governor GEORGE DEUKMEJIAN from KEATING and his associates, and (c) lobbying he conducted on behalf of KEATING.

After the above described leads are completed, a trip to Washington, D.C., is contemplated to complete the following interviews:

a. Federal Home Loan Bank Board (now known as the office of Thrift Supervision) [redacted] to learn what, if any, lobbying was directed at them by the subject senators or their staffs.

b6  
b7C

b. Senator CRANSTON's [redacted] regarding services she or CRANSTON performed on behalf of KEATING and his affiliated companies. In April, 1987, [redacted] traveled to Phoenix at ACC's expense.

c. Senator CRANSTON's [redacted] regarding services [redacted] or CRANSTON performed on behalf of KEATING and his affiliated companies.



d. Senator RIEGLE's [redacted] regarding services [redacted] his staff, or RIEGLE performed on behalf of KEATING and his affiliated companies. [redacted] traveled with RIEGLE to visit the ACC operations in Phoenix in March, 1987.

b6  
b7C

e. Lobbyist JOHN ROUSSELOT, who sought CRANSTON's assistance in obtaining Federal Home Loan Bank Board approval of his proposed purchase of LINCOLN SAVINGS from ACC in 1989.

After the above described investigation is completed, additional investigation will be necessary to round out the allegations. Other politicians who received sizable campaign contributions raised by KEATING should be interviewed. These politicians include Senators WILSON, HAWKINS, MATTINGLY, WIRTH, HECHT, HATCH, and Congressman PASHAYAN and BARNARD. In addition, former White House Chief of Staff DON REGAN should be interviewed regarding his involvement in trying to [redacted] out of office and his involvement in promoting KEATING's [redacted]

b6  
b7C

Santa Ana's investigation is focusing on three occasions where one or more of the subject Senators lobbied the Federal Home Loan Bank Board on behalf of KEATING. The first occasion was in April, 1987, when the five Senators met with [redacted] and one week later with the San Francisco regulators regarding the FHLBB's direct investment regulation and the LINCOLN SAVINGS examination. The second occasion was in 1988 when LINCOLN SAVINGS successfully convinced the Federal Home Loan Bank Board to remove the San Francisco bank from the examination. This lobbying culminated in the execution of a memorandum of understanding on 5/20/88. The third occasion related to ACC's attempts to sell LINCOLN SAVINGS in early 1989. Naturally, the investigation is also focused on what the subject Senators received from KEATING and his companies. This includes campaign contributions and contributions to political action committees or tax exempt organizations controlled by the politician. The investigation will also attempt to develop any connection between the contributions to or for the benefit of the subject Senators and the lobbying done by the Senators.

58C-PK-416ES-67

SEP 1967	9	14
[Signature]		

## FEDERAL BUREAU OF INVESTIGATION

- 1 -

Date of transcription May 9, 1990

[redacted]  
[redacted] made available pursuant to a Federal Grand Jury subpoena were reviewed and information was scheduled by Phoenix Division Accounting Technician [redacted] A copy of the scheduled information follows.

b3  
b6  
b7C

58e-PX-41605-67

Investigation on May 9, 1990 at Phoenix, Arizona File # 29D-LA-102009

by SAA [redacted] Date dictated May 9, 1990

b6  
b7C

SEC-PR-4605-68


for

58C-PX-41605-69

SEARCHED	INDEXED
SERIALIZED	FILED
FBI - LOS ANGELES	

*jay*

SSC-PX-4465-70

DATE	BY
27	47
for	

ESC-PX-41605-71

of

of

for

0041 MR1 00344

MAY 10 6 52 AM '90

RR FBIAT FBIBS FBILA FBINY FBOM FBISF

DE FBIPX #0001 1301345

ZNR UUUUU

R 100410Z MAY 90

FM FBI PHOENIX (58C-PX-41605) (P)

TO FBI ATLANTA/ROUTINE/

FBI BOSTON/ROUTINE/

INFO FBI LOS ANGELES/ROUTINE/

FBI NEW YORK/ROUTINE/

FBI OMAHA/ROUTINE/

FBI SAN FRANCISCO/ROUTINE/

BT

UNCLAS

SECTION ONE OF TWO SECTIONS

CITE: //3630//

SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON,  
DENNIS DECONCINI, JOHN GLENN, JOHN MCCAIN, DONALD RIEGLE; CHARLES  
H. KEATING, JR., DBA LINCOLN SAVINGS AND LOAN ASSOCIATION OF  
CALIFORNIA (LSL) AND AMERICAN CONTINENTAL CORPORATION (ACC).

TELETYPE

SARA

58C-PX-41605-72

WCC-4 MAY 10 1990

[Redacted Box]

SARA Copy

b6  
b7c



PAGE TWO DE FBIPX 0001 UNCLAS

PHOENIX, ARIZONA; CORRUPTION OF FEDERAL PUBLIC OFFICIALS-  
LEGISLATIVE; OO: PX/LA.

FOR THE INFORMATION OF RECEIVING OFFICES, THIS CASE AROSE  
FROM A MEETING OF THE FIVE U.S. SENATORS WITH [REDACTED] ON  
4/2/87. SUBSEQUENT TO THIS MEETING, THE SENATORS AGAIN MET WITH  
OFFICIALS FROM THE FEDERAL HOME LOAN BANK OF SAN FRANCISCO ON  
4/9/87. INVESTIGATION HAS SHOWN KEATING WAS A MAJOR CONTRIBUTOR  
TO THE SENATORS AND DURING THE MEETINGS WITH THE FEDERAL HOME  
LOAN BANK BOARD (FHLBB) [REDACTED] AND OFFICIALS OF THE  
FEDERAL HOME LOAN BANK OF SAN FRANCISCO, THEY QUESTIONED THESE  
INDIVIDUALS CONCERNING LINCOLN SAVINGS AND LOAN ASSOCIATION  
(LSL). [REDACTED] AND THE SAN FRANCISCO BANK OFFICIALS HAVE BEEN  
INTERVIEWED AND ALL CHARACTERIZED THE CONTACTS BY THE U.S.  
SENATORS AS UNUSUAL AND INAPPROPRIATE. THE DEPARTMENT OF JUSTICE  
HAS REQUESTED THE FBI TO INVESTIGATE THIS MATTER.

INVESTIGATION THUS FAR HAS SHOWN THAT THE SENATORS, FROM  
REVIEW OF DOCUMENTS AVAILABLE TO THE FBI, MET FREQUENTLY WITH  
KEATING PRIOR TO THE 4/2/87 MEETINGS. DURING THE 4/9/87 MEETING,  
THE SENATORS WERE INFORMED BY THE REGULATORS FROM SAN FRANCISCO  
THAT A CRIMINAL REFERRAL HAD BEEN MADE REGARDING THE MANAGEMENT  
AND OPERATION OF LSL. SUBSEQUENT TO THE 4/9/87, SENATORS

b6  
b7C

b6  
b7C

[REDACTED]

SARA (copy)

72

PAGE THREE DE FBIFX 0001 UNCLAS

DECONCINI AND CRANSTON CONTINUED THEIR CONTACTS WITH REGULATORS  
IN CALIFORNIA AND WASHINGTON, DC.

DURING INTERVIEW WITH NUMEROUS EXAMINERS OF THE FEDERAL HOME  
LOAN BANK SYSTEM, NOW OFFICE OF THRIFT SUPERVISION (OTS) HAS BEEN  
DETERMINED THAT THERE WERE ALLEGATIONS OF A "WHITE WASH" THAT  
OCCURRED DURING THE EXAMINATION OF THE THRIFT WHICH STARTED IN  
JULY 1988. [REDACTED]

b6  
b7c

FROM THE SEATTLE DISTRICT HAS BEEN INTERVIEWED AND HE HAS STATED  
THAT THE EXAM WAS CONTROLLED TO THE EXTENT THAT THE SCOPE WAS  
LIMITED IN ACCORDANCE TO A MEMORANDUM OF UNDERSTANDING EXECUTED  
BETWEEN LSL AND THE FEDERAL HOME LOAN BANK BOARD IN MAY 1988.

[REDACTED] DENIES ANY INFLUENCE ON HIM TO NOT REPORT THE FINDINGS.

DURING THE WEEK OF 4/30 - 5/4/90, EXAMINERS FROM THE CHICAGO BANK  
DISTRICT WERE INTERVIEWED AS FOLLOWS: [REDACTED]

[REDACTED] WAS SO CONCERNED THAT THE THRIFT EXAMINATION  
OF 7/11/88 WAS A "WHITE WASH" THAT HE MAINTAINED PERSONAL NOTES  
WHICH REFLECT CONCERNS ON THE PART OF THE VARIOUS EXAMINERS. THE

72

b6  
b7c

PAGE FIVE DE FBIFX 0001 UNCLAS

EXISTENCE AND INFERRED THAT IT CONTAINED "DAMAGING INFORMATION"  
ABOUT THE SAN FRANCISCO DISTRICT. [REDACTED] LATER RETURNED THE FILE  
TO KEATING. [REDACTED] HAS BEEN INTERVIEWED, DOES NOT RECALL THE  
CONTENTS OF THE FILE, HOWEVER, THE FILE WAS COPIED BY [REDACTED]

b6  
b7C

[REDACTED] NEW YORK, NEW  
YORK 10024, [REDACTED] IN ADDITION TO HER KNOWLEDGE

CONCERNING THIS FILE, [REDACTED] WOULD HAVE KNOWLEDGE CONCERNING  
TELEPHONE CALLS FROM SENATORS DECONCINI AND CRANSTON MADE TO

[REDACTED] REGARDING THE PROPOSED SALE OF LSL IN MARCH AND APRIL  
1989. [REDACTED] CHARACTERIZED THE PHONE CALLS TO HIMSELF AND [REDACTED]

AS "PRESSURE-TYPE CALLS" [REDACTED] ALSO WOULD HAVE KNOWLEDGE OF  
THE EVENTS THAT OCCURRED BEFORE THE FEDERAL HOME LOAN BANK BOARD  
WHICH CONCERNED THE TRANSFER OF SUPERVISORY AUTHORITY OF LSL FROM  
THE SAN FRANCISCO DISTRICT TO THE FEDERAL HOME LOAN BANK BOARD.  
SPECIFICALLY, IT HAS BEEN REPORTED BY A FORMER AID OF [REDACTED]

[REDACTED] INFORMED THE BOARD PRIOR TO THE  
5/5/88 VOTE ON LSL THAT CHARLES KEATING WAS THE PRINCIPAL  
INGREDIENT TO THE SUCCESSFUL OPERATION OF LSL AND IF HE WERE  
REMOVED, NOT ONLY WOULD THE THRIFT FAIL, BUT THE ARIZONA REAL

PAGE SIX DE FBIPX 0001 UNCLAS

ESTATE MARKET WOULD COLLAPSE.

THIS CASE OBVIOUSLY IS COMPLICATED AND SHOULD LEAD AGENTS  
NEED ANY ADDITIONAL INFORMATION, THEY SHOULD CONTACT PHOENIX CASE  
AGENT SA [REDACTED]

b6  
b7C

IT SHOULD BE NOTED THAT IT APPEARS THE MAJORITY OF THE  
CONCERNS THAT THE JULY 1988 EXAMINATION WAS A "WHITE WASH" CAME  
FROM THOSE EXAMINERS INVOLVED IN THE INVESTMENT AND REAL ESTATE  
PORTFOLIO OF LSL. [REDACTED]

ALL OFFICES ARE REQUESTED TO SUBMIT HIGHLIGHTS OF INTERVIEW  
BY TELETYPE AND FOLLOW IMMEDIATELY WITH FD-302 S.

LEADS. ATLANTA DIVISION AT ATLANTA. INTERVIEW [REDACTED]  
[REDACTED]  
[REDACTED]

BOSTON DIVISION AT BOSTON. INTERVIEW [REDACTED]  
[REDACTED]

NEW YORK DIVISION AT NEW YORK. INTERVIEW [REDACTED]  
[REDACTED]

IT SHOULD BE NOTED [REDACTED]  
[REDACTED]

ADDITIONALLY, [REDACTED]

WOULD KNOW THE IDENTITY OF

NEW YORK EXAMINERS WHO EXPRESSED CONCERNS REGARDING THE JULY 1988

BT

#0001

NNNN

0040 MRI 00349

RR FBIAT FBIBS FBILA FBINY FBION FBISF

DE FBIPX #0002 1301344

ZNR UUUUU

R 100413Z MAY 90

FM FBI PHOENIX (53C-PX-41605) (P)

TO FBI ATLANTA/ROUTINE/

FBI BOSTON/ROUTINE/

INFO FBI LOS ANGELES/ROUTINE/

FBI NEW YORK/ROUTINE/

FBI OMAHA/ROUTINE/

FBI SAN FRANCISCO/ROUTINE/

BT

UNCLAS

SECTION TWO OF TWO SECTIONS

CITE: //3630//

SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON,  
DENNIS DECONCINI, JOHN GLENN, JOHN MCCAIN, DONALD RIEGLE; CHARLES  
H. KEATING, JR., DBA LINCOLN SAVINGS AND LOAN ASSOCIATION OF  
CALIFORNIA (LSL) AND AMERICAN CONTINENTAL CORPORATION (ACC).

PAGE TWO DE FBIPX 0002 UNCLAS

PHOENIX, ARIZONA; CORRUPTION OF FEDERAL PUBLIC OFFICIALS-  
LEGISLATIVE; OO: PX/LA.

TEXT CONTINUES:

EXAMINATION.

OMAHA DIVISION AT DES MOINES, IOWA. INTERVIEW [REDACTED]  
THROUGH TELEPHONE NUMBER [REDACTED]

b6  
b7C

SAN FRANCISCO DIVISION AT SAN FRANCISCO. INTERVIEW CDSL  
EXAMINER [REDACTED] THROUGH TELEPHONE NUMBER [REDACTED] 66

(INTERVIEW WILL BE LENGTHY IN VIEW OF THE FACT THAT NEWSOM WAS ON  
SIGHT FROM THE INCEPTION AND HE SHOULD BE INTERVIEWED CONCERNING  
ANY CONTACTS WITH POLITICAL OFFICIALS AND KEATING OR HIS  
EMPLOYEES.)

BT

#0002

NNNN

58C - 10 - 41625 - 73

07 - 0

day

## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 5/2/90

[redacted] Business, Transportation and Housing Department, State of California, 1120 N Street, Room 2101, Sacramento, California, 95814, telephone number (916) 445-2793, was contacted at his office. He was advised of the identity of the interviewing agent and that he was being interviewed as part of an investigation into allegations concerning various United States Senators and senior officials of LINCOLN SAVINGS & LOAN ASSOCIATION. [redacted] provided the following information during interview:

b6  
b7C

[redacted] has been the Undersecretary of the Department since June 1986. In that position, [redacted] reports directly to [redacted]. The Department, itself, is divided into several sub departments which specialize in areas such as insurance, real estate, motor vehicles, savings and loans, and transportation. [redacted] did not have direct agency supervisory authority for the various business regulatory departments that included savings and loans. The Savings and Loan Commissioner, [redacted] reported directly to [redacted].

[redacted] has had no contact whatsoever with United States Senators DeCONCINI, GLENN, McCAIN, or RIEGLE. Neither has [redacted] had any contact whatsoever with any member of a staff supporting any of those named Senators. [redacted] has had contact with United States Senator ALAN CRANSTON and with Senator CRANSTON's staff. None of these contacts, however, concerned CHARLES KEATING, LINCOLN SAVINGS & LOAN, AMERICAN CONTINENTAL CORPORATION, or any other entity or individual related to CHARLES KEATING.

Investigation on 4/27/90 at Sacramento, Calif. File # 58C-PX-41605

by SA [redacted] mjm Date dictated 4/30/90

b6  
b7C



58C-PX-41605

Continuation of FD-302 of [REDACTED]

, On 4/27/90 , Page 2

b6  
b7C

In the spring of 1989, the Savings and Loan Department was very critical of a proposal that LINCOLN SAVINGS & LOAN be purchased by a group of individuals associated with JOHN ROUSSELOT. At least one California newspaper reported that the Savings and Loan Department would give approval to the ROUSSELOT transaction. In response to that story, [REDACTED] issued a press release denying that the Savings and Loan Department would approve such a transaction. [REDACTED] press release was followed by public statements wherein he leveled specific criticisms at the ROUSSELOT transaction.

At about the time that [REDACTED] was making the press release and public statements, [REDACTED] discussed [REDACTED] activities with [REDACTED]. Both agreed that [REDACTED] had the authority to issue such press statements and both relied on [REDACTED] judgment insofar as his evaluation of the ROUSSELOT transaction. [REDACTED] had at least one telephone conversation with [REDACTED] in which the ROUSSELOT transaction was discussed. [REDACTED] quoted statements made by [REDACTED] regarding the viability of the transaction and coupled those statements with news reports that [REDACTED] had either seen or heard regarding LINCOLN SAVINGS. [REDACTED] did not criticize [REDACTED] in this telephone conversation, nor did he suggest that [REDACTED] "tone down" his statements to the press.

b6  
b7C

Sometime in April 1989, [REDACTED] received a telephone call from [REDACTED] in which [REDACTED] asked [REDACTED] if he, [REDACTED] would mind talking to an attorney from AMERICAN CONTINENTAL CORPORATION about the proposed LINCOLN SAVINGS & LOAN sale. [REDACTED] stated that he would speak with an attorney from AMERICAN CONTINENTAL. Later that same day, [REDACTED] received a telephone call from an attorney claiming to represent either LINCOLN SAVINGS or AMERICAN CONTINENTAL CORPORATION. [REDACTED] cannot recall the name of the attorney. This attorney told [REDACTED] that the sale of LINCOLN SAVINGS & LOAN would be approved federally and he, the attorney, requested that either [REDACTED] or [REDACTED] call [REDACTED] to assure [REDACTED] that no one from the State, and [REDACTED] in particular, would say anything critical about the proposed federal sale. [REDACTED] told this attorney that he would have to discuss this with [REDACTED] and get back in touch with him.

58C-PX-41605

Continuation of FD-302 of \_\_\_\_\_

, On 4/27/90 , Page 3

b6  
b7C

\_\_\_\_\_ then recontacted the attorney who had made the original request. \_\_\_\_\_ asked the attorney to be more specific as to what he meant by asking \_\_\_\_\_ "not to make a statement." \_\_\_\_\_ amplified this question by asking if that also meant statements made to regulatory authorities or federal investigators. With that question, the attorney became very flustered and said he did not want \_\_\_\_\_ to refuse to answer any questions from regulators or investigators. The attorney closed the conversation by stating that he would recontact \_\_\_\_\_ in the very near future. No such contact took place.

In April 1990, \_\_\_\_\_ was contacted by investigators from the Senate Ethics Committee. These investigators asked \_\_\_\_\_ a number of questions regarding contacts between Senators and State of California officials regarding the LINCOLN SAVINGS & LOAN matter. \_\_\_\_\_ recounted the telephone conversations with the attorney who represented either LINCOLN SAVINGS & LOAN or AMERICAN CONTINENTAL CORPORATION. The investigators asked \_\_\_\_\_ to review his telephone toll records for April 1989 in an effort to identify the attorney by way of toll calls placed. \_\_\_\_\_ did, in fact, review his telephone toll records and determined that he made no telephone calls to Arizona during the pertinent period of time. \_\_\_\_\_ recalled then that it is possible the telephone call was placed to Southern California and that perhaps the attorney did, in fact, represent LINCOLN SAVINGS rather than AMERICAN CONTINENTAL CORPORATION.

b6  
b7C

\_\_\_\_\_ was not asked to prepare an affidavit for the Senate Ethics Committee. He did, however, prepare a letter dated April 18, 1990 addressed to \_\_\_\_\_ for the Senate Ethics Committee. \_\_\_\_\_ provided a copy of that letter to the interviewing agent.

\_\_\_\_\_ is aware of at least one and possibly two meetings or conversations that \_\_\_\_\_ had with CHARLES KEATING in 1988. \_\_\_\_\_ was present at no meetings with KEATING, nor was he a participant in any telephone conversations. Meetings which occurred between KEATING and \_\_\_\_\_ most likely would have been attended by \_\_\_\_\_ responsible for banking at the time the meetings occurred.

58C-PX-41605

Continuation of FD-302 of , On 4/27/90, Page 4b6  
b7c

At the conclusion of the interview,  reiterated that he had not received any telephone calls or other contacts from any public official regarding KEATING or the LINCOLN SAVINGS & LOAN matter.

58C-PK-41605-74

07	07
jaf	

- 1 -

## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 5/7/90

[redacted] BUSINESS, TRANSPORTATION, & HOUSING AGENCY, State of California, 1120 N Street, Sacramento, California, [redacted] was contacted at his office. He was advised of the identity of the interviewing agent and that he was being interviewed as part of an investigation into allegations concerning several United States Senators with regard to their association with CHARLES H. KEATING. [redacted] provided the following information during interview:

b6  
b7C

In 1988, [redacted] had two meetings with CHARLES KEATING and in 1989, he had a telephone conversation with United States Senator DENNIS DeCONCINI. The meetings with KEATING and the phone conversation with DeCONCINI generated a great deal of media interest. [redacted] took no notes during either meeting with KEATING or during the telephone conversation with DeCONCINI. Due to the unanticipated media interest, however, [redacted] made notes of the DeCONCINI phone conversation in response to a media inquiry in October 1989. Approximately one month later, [redacted] made notes of the two KEATING meetings which had occurred in 1988.

b6  
b7C

Throughout the interview, [redacted] referred to the notes prepared in October 1989 and November 1989, as well as a copy of a press release from Senator DeCONCINI's office dated October 6, 1989. Throughout the interview, [redacted] also referred to a signed affidavit of [redacted] dated March 22, 1990 and an amended affidavit of [redacted] dated March 23, 1990. At the conclusion of the interview, [redacted] gave the interviewing agent copies of both sets of notes, the DeCONCINI press release, [redacted] affidavit and the amended affidavit of [redacted]

(X)  
Jm

[redacted] BUSINESS, TRANSPORTATION, & HOUSING AGENCY, [redacted]

Investigation on 5/4/90 at Sacramento, Calif. File # 58C-PX-41605

by

[redacted] Date dictated 5/7/90b6  
b7C

58C-PX-41605

Continuation of FD-302 of [REDACTED], On 5/4/90, Page 2

b6  
b7C

[REDACTED] met with CHARLES KEATING on February 9, 1988, and again on May 3, 1988. The February meeting was set up at the request of [REDACTED] [REDACTED] the Finance Departments was present at both KEATING meetings.

There was nothing unusual about either of the KEATING meetings since the BUSINESS, TRANSPORTATION, & HOUSING AGENCY is a public agency which makes itself available to all members of the public. Since KEATING headed the parent of LINCOLN SAVINGS & LOAN, he had a right to an audience with California public officials. At both KEATING meetings, KEATING complained of over-regulation on the part of the CALIFORNIA DEPARTMENT OF SAVINGS & LOANS. KEATING told [REDACTED] that, in KEATING's opinion, the CALIFORNIA DEPARTMENT OF SAVINGS & LOANS was "not with the times." KEATING elaborated that the CALIFORNIA DEPARTMENT OF SAVINGS & LOANS was "getting in the way of innovation by sticking to its traditional thinking." KEATING also stated that this pervasive attitude on the part of California regulators, was causing LINCOLN SAVINGS to experience temporary financial problems. KEATING reminded [REDACTED] that "if Lincoln goes down, there will be a run on the thrifts."

[REDACTED] listened to KEATING's complaints and responded that the California regulators would continue their pursuit of sound banking practices.

b6  
b7C

In early April 1989, [REDACTED] office received a telephone call from the Office of Senator DENNIS DeCONCINI. [REDACTED] was not in the office at the time and arrangements were made for the Senator to recontact [REDACTED] telephonically at a time when it was anticipated that [REDACTED] would be in his office. Senator DeCONCINI did, in fact, telephonically contact [REDACTED]. This occurred either the same day as the earlier call or within a day or two of that call. Senator DeCONCINI told [REDACTED] that it was his, DeCONCINI's belief, that the State of California was in a position to stop the sale of LINCOLN SAVINGS & LOAN to the so-called ROUSSELOT group. [REDACTED] replied that the State of California was not in a position to stand in the way of the proposed ROUSSELOT transaction since that transaction would result in LINCOLN SAVINGS operating under a federal charter. [REDACTED] went on to state that State regulators in California still have a problem with LINCOLN SAVINGS but the move to a federal charter will essentially "take the State out of the loop." Senator DeCONCINI then began describing his evaluation of the importance

58C-PX-41605

Continuation of FD-302 of [REDACTED]

, On 5/4/90 , Page 3

b6  
b7C

of AMERICAN CONTINENTAL CORPORATION to the State of Arizona. Senator DeCONCINI described the hardship to Arizona that would result from layoffs at the corporation and the collapse of real estate projects under way in the State of Arizona that were supported by AMERICAN CONTINENTAL CORPORATION. [REDACTED] expressed his understanding of Senator DeCONCINI's concerns but reiterated that the issue was no longer within the control of the State of California or State regulators.

[REDACTED] cannot remember Senator DeCONCINI mentioning anything about [REDACTED] during the telephone conversation. Similarly, he did not infer from this telephone conversation that DeCONCINI wished [REDACTED] to silence California critics of LINCOLN SAVINGS and the proposed sale.

The telephone call lasted about three or four minutes and while [REDACTED] considered the call to be a lobbying effort, it was not much different from other lobbying calls he receives from time to time.

b6  
b7C

[REDACTED] is aware of no other contacts by public officials with the BUSINESS, TRANSPORTATION, & HOUSING AGENCY in connection with the LINCOLN SAVINGS matter, with the exception of one instance, when an Aide to Senator ALAN CRANSTON, (FIRST NAME UNKNOWN) [REDACTED] contacted [REDACTED] of the DEPARTMENT OF SAVINGS & LOANS. In this telephone conversation, [REDACTED] that Senator CRANSTON's office thinks the LINCOLN SAVINGS & LOAN buy-out is a good idea and a good deal for the State of California. [REDACTED] went on to state that Senator CRANSTON's office wholeheartedly supports the LINCOLN SAVINGS & LOAN sale.

[REDACTED] probably discussed the DeCONCINI telephone conversation with [REDACTED] did not instruct [REDACTED] to tone down his criticism of the operations of LINCOLN SAVINGS & LOAN, nor does he recall telling CRAWFORD that that move had been suggested in the DeCONCINI telephone conversation.

FBI

## TRANSMIT VIA:

☐ Teletype  
☐ Facsimile  
☒ AIRTEL

## PRECEDENCE:

☐ Immediate  
☐ Priority  
☐ Routine

## CLASSIFICATION:

☐ TOP SECRET  
☐ SECRET  
☐ CONFIDENTIAL  
☐ UNCLAS E F T O  
☐ UNCLAS

Date 5/8/90

1 TO : SAC, PHOENIX  
 2 FROM : SAC, SACRAMENTO (58C-PX-41605) (RUC)  
 3 SUBJECT: ALLEGATIONS CONCERNING U.S.  
 4 SENATORS ALAN CRANSTON;  
 5 ET AL;  
 6 CORRUPTION OF FEDERAL PUBLIC  
 7 OFFICIALS - LEGISLATIVE;  
 8 (OO: PX)  
 9 (OO: LA)

Enclosed for the Phoenix Division are the following:

1) The original and one copy of an FD-302 reporting the results of interview of [redacted] at Sacramento, California.

2) One copy of a letter dated 4/18/90 from [redacted] to [redacted] Special Council, United States Senate.

3) The interview notes taken during the [redacted] interview.

4) The original and one copy of an FD-302 reporting the results of interview of [redacted] at Sacramento, California.

5) One copy of notes prepared by [redacted] concerning meetings he had with CHARLES KEATING.

2 - Phoenix (Encl. 12)  
 2 - Los Angeles (Encl. 10)  
 1 - Sacramento  
 JTS:mjm  
 (5)

211A17

58C-PX-41605-75

SEARCHED	INDEXED
SERIALIZED	FILED
MAY 11 1990	
FBI - LOS ANGELES	

Approved: \_\_\_\_\_ Transmitted \_\_\_\_\_ Per \_\_\_\_\_  
 (Number) (Time)

SARA



58C-PX-41605

6) One copy of notes prepared by [redacted] in connection with a telephone conversation he had with United States Senator DENNIS DeCONCINI.

b6  
b7C

7) One copy of a news release dated 10/6/89 from the office of Senator DeCONCINI.

8) One copy of an affidavit of [redacted] dated 3/22/90.

[redacted] 9) One copy of an amended affidavit of [redacted] dated 3/23/90.

10) The notes taken during interview of [redacted]

Enclosed for the Los Angeles Division is one copy each of the Phoenix enclosures, with the exception of the original interview notes.

While the [redacted] interviews create the potential for additional leads in the captioned matter, the Sacramento Division will await specific directions from the Offices of Origin before conducting additional investigation at Sacramento.

58C-PX-41605-76

by

for

**FEDERAL BUREAU OF INVESTIGATION**

- 1 -

Date of transcription 5/4/90

[redacted] (Protect Identity) [redacted]  
[redacted]  
[redacted] was interviewed at [redacted]  
[redacted] New Jersey (NJ), and  
[redacted] furnished the following information.

b6  
b7C  
b7D

[REDACTED] stated that [REDACTED]

--

--

b6  
b7C  
b7D

--

Investigation on 4/30/90 at New Jersey File # NK 58C-PX-41605

by SA rmb Date dictated 4/30/90

b6  
b7C  
b7D